



Report of the
Bengal Provincial Banking Enquiry
Committee
1929-30

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BENGAL PROVINCIAL BANKING ENQUIRY COMMITTEE.

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Questionnaire of the Bengal Provincial Banking Enquiry Committee.

(NOTE.—The following memorandum is published in order to assist witnesses in the preparation of their evidence. It is not to be regarded as exhaustive, nor is it desired that each witness should necessarily attempt to deal with all the questions raised.)

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

1. (i) Describe the present system by which the agriculturist in your district or province obtains finance—

- (a) for expenses during cultivation,
- (b) for capital and permanent improvements, and
- (c) for other special needs, e.g., failure of monsoon, for land revenue, *rent*, etc.

(ii) What are the rates of interest charged in your district or province in respect of advances, the period for which loans are taken, the nature of the security given and accepted (e.g., standing crops, etc.), and other conditions attaching to the grant of such loans?

What in your estimate are the percentages of secured and unsecured loans to the agriculturists in your part of the country?

(iii) Describe the part played in agricultural finance by Government, the Imperial Bank of India, the Joint Stock Banks, Co-operative Banks, the Indigenous Banks and bankers, professional money-lenders, merchants and dealers, and other organisations giving credit (e.g., companies trading in fertilisers, etc.).

(iv) Can you give an estimate of the total amount of capital required for the various purposes stated above for your district or province?

(v) State defects, if any, in the present system of financing agriculture, and the reasons for the existence of such defects. Do you suggest any remedies?

(vi) Is there co-ordination among the various credit agencies including Government, and is there scope for improvement in that direction?

2. (i) Describe the present method of marketing principal crops in your district or province *by the raiyat*.

Is he unable to hold up his crop for a better price? If so, for what reasons.

(ii) What in your opinion are the possibilities of forming pools and of co-operative effort generally in marketing produce?

(iii) *Are there any co-operative sale societies in your district? How are they constituted? Are they linked to any central organisation? How are they financed at present? Do they experience any difficulty in obtaining sufficient funds?*

(iv) Describe the credit facilities required for the financing of products during marketing and the facilities actually existing.

(v) In regard to such facilities, is there any special difference as between internal trade and foreign trade?

(vi) What is the part played by the different classes of banks and bankers and merchants and dealers in the financing of—

(a) *the export trade from the village to the ports of the province through hâts, mokams, etc., and*

(b) *the import trade from these ports to the distributing centres and ultimately to the consumer?*

(vi-a) *What are the terms on which the financing of trade during the above stages is done? Are any difficulties experienced in connection with the above financing, and have you any suggestions to make for removing those difficulties and for improving in any way the existing financial facilities available for the movement of imported and exportable articles?*

(vi-b) *It has been suggested that the grower of produce in India does not get the full value for his produce on account of the speculative buying and selling activities of firms and companies who deal in the export trade and on account of the control of prices by these and other bodies. What are your views on this suggestion? Please supplement your views by any facts and figures within your knowledge. Have you any observations to make with a view to ensure a better return to the growers of produce in India?*

(vii) *Have you any reason to think that the lack of banking facilities to persons engaged in the movement of the principal crops of your district (such as paddy and jute) is due to causes other than borrowers' lack of credit, e.g., any position of monopoly which the buyers might enjoy or to the want of a definite standard of quality?*

(viii) *What are the existing facilities available to the public, including banks and bankers, for internal remittance?*

(ix) *State any defects in the existing system and any suggestions for improvement?*

(x) *Describe the part played by negotiable instruments in the internal trade of the province.*

(xi) *Have you any suggestions to make for the more extensive use of bills (e.g., by reduction of duty on bills)?*

(xii) *What are the different classes of hundis current in your part of the country? What are the peculiarities of each?*

(xiii) *Will the introduction of standardised forms on stamped paper facilitate the use of hundis?*

(xiv) *Have you any suggestions for the amendment of the Negotiable Instruments Act, by which the public and the bankers handling hundis might be better protected or benefited?*

(xv) *Are hundis emanating from your locality discounted in your local centre or are they sent to a provincial centre and discounted there, or are they held by middlemen, merchants or commission agents?*

(xvi) *Are there any facilities for rediscounting hundis in your locality? If not, can you suggest means for the introduction of such facilities?*

(xvii) *What different kinds of instruments of ownership of goods and produce (e.g., railway receipts) and documents are employed for raising money during the process of marketing?*

(xviii) Are any difficulties experienced in the use of these instruments, *for instance, bills of lading issued by particular Inland Steamship Navigation Companies*, and have you any suggestions to make with a view to removing those difficulties?

(xix) What in your opinion are the possibilities of operating licensed warehouses in India either on the lines of the system which exists in the United States of America or otherwise?

(xx) Do you think there is any need for Government assistance in the matter?

3. (i) In your district, what is the value of land per acre for different kinds of crops?

(ii) What are the factors affecting such value? In your reply, please distinguish between—

(a) value of land in Government auction for non-payment of revenue,

(b) value of land in the event of sale by court decree; and

(c) value of land in purchase by private negotiation.

4. (i) Is there any legal impediment to mortgage of land and agricultural holdings in your province?

(ii) *How far has the amended Bengal Tenancy Act influenced the credit of the agriculturists?*

(iii) *To what extent do the smallness and fragmentation of the agricultural holdings stand in the way of establishing long term credit institutions?*

(iv) Are there any land mortgage banks or agricultural banks in your province or any other banks for the provision of long term credit?

(v) State what you know of their method of work and of raising capital.

(vi) If no such institution exists in the province, suggest the lines on which such institutions could be established and worked to the advantages of the landholders and tenants of your province.

(vii) Do you suggest any measures for—

(a) improvement in the record-of-rights and title of ownership so as to simplify reference, and to avoid possibilities of disputes and counter-claims by parties other than those who are the clients of the bank;

(b) simplification of the process of foreclosure and sale by the Mortgage Bank in the event of non-payment; and

(c) reduction of costs of reference to the record-of-rights and of registration of records and of the process at law, so as to reduce the burden on the good constituents of the bank in respect of charges incurred on account of defaulters?

(viii) Should the working capital of the proposed Mortgage Bank be derived largely from—

(a) deposits,

(b) funds from central institutions, or

(c) debenture bonds?

(ix) Should debenture bonds carry any Government guarantee either for principal or interest, or for both?

(x) If so, what measures would you suggest to secure Government against unnecessary loss?

(xi) On what terms should Agricultural Mortgage Banks raise moneys under each of the above-mentioned heads, with or without Government guarantee, and on what terms should they lend out money so as to cover their expenses?

(xii) *Do you consider that the debentures to be issued by the proposed Co-operative Land Mortgage Banks should be included in the list of trustee securities?*

(xiii) Please state any other suggestions for the adequate provision of long term credit against sound security.

5. In order to devise measures for the increase of credit facilities to the agricultural classes, it is necessary to reach an estimate as accurate as possible of the existing indebtedness of these classes.

(i) Do you know of any such estimate for a village or a district in your province, or for the whole province?

(ii) In what manner can such an estimate be obtained with reasonable accuracy?

(iii) In such an estimate please distinguish between—

(a) the amount of debt with land as security which is in the form of a registered mortgage; and

(b) the amount of debt which is incurred against any other assets, such as the village house, ornaments, ploughs and other agricultural implements, crops and produce, or debt which is given on the general security of all the assets without a specific pledge.

(iv) Please state wherever possible the purposes for which the debt was incurred, such as—

(a) the repayment of earlier debts,

(b) marriage and other social occasions,

(c) *litigation*,

(d) famine and other kinds of distress,

(e) payment of land revenue *or rent*,

(f) growth of the debt by compound interest, interest not having been paid,

(g) cattle, seeds and manure,

(h) improved agricultural implements, or

(i) sinking of wells and agricultural improvements.

(v) Please indicate also to whom this debt is largely due and whether the creditors are Government, banks, co-operative societies, or indigenous bankers and professional money-lenders.

(vi) *Is agricultural indebtedness in your locality increasing or decreasing?*

(vii) *How far are the needs of the agriculturists of your part of the country met at present by the Land Improvements Loans Act of 1883 and the Agriculturists' Loans Act of 1884?*

(viii) *Can you suggest any measures for rendering the operations of these Acts more prompt?*

(ix) *Are itinerant money-lenders, such as Kabulis, to be found in your part of the country? Describe their method of work?*

(x) *Can you give some concrete instances of usurious rates of interest, heavy accumulation of debts, and prolonged duration of a loan, in cash or in kind?*

(xi) *To what extent is the Usurious Loans Act (Act X of 1918) availed of in your locality? What measures would you suggest for greater use being made thereof?*

(xii) *Is there any standard rate of interest followed by courts for (a) unsecured and (b) secured loans in applying the Act?*

(xiii) *Is the Act being evaded by the taking of a bond for a larger amount than is actually advanced to the debtor, or in any other way?*

(xiv) *What practical proposals would you make so that the raiyats can get loan of seeds and paddy for their needs in normal times and can easily pay off such loan?*

(xv) *What is the prevalent rate of interest of paddy loan in your locality?*

(xvi) *State what you know of the rates of interest charged, the methods used for calculating it and for enforcing the payment of the debt.*

(xvii) *Do you think a large number of people, who are efficient farmers, are being turned into tenants for a period or tenants-at-will through the process of the enforcement of the old debts and landed property passing on into the hands of the creditors?*

(xviii) *If this process is going on, does it take away from the actual cultivator the incentive to produce more and in an efficient and better manner?*

6. (i) *Give some idea of the number of small subsidiary industries allied or supplemental to agriculture existing in your province, such as rice-milling, dairy-farming, gur-making, garden produce, cotton ginneries, sugar refineries, hand-spinning, etc.*

(ii) *Can you suggest methods by which any such industries could be encouraged and by which the producer might be enabled to get a better return for his produce?*

(iii) *Can you suggest any enterprises which may give employment to the farmer during seasons when he cannot make full use of his time on his farm and thus enable him to supplement his income and to raise his standard of living?*

(iv) *What would be the best method of securing working capital for such enterprises?*

(v) *What financial machinery do you suggest for this purpose?*

6A. (i) *How are small industries (requiring funds below 5 lakhs of rupees), which are neither supplemental to nor connected with agriculture, financed at present in respect of their (a) fixed and (b) circulating capitals?*

(ii) *Can you suggest any measures for providing better financial facilities for such industries?*

6B. (i) *What are the facilities existing in your district for obtaining loans by people who are not agriculturists, e.g., day-labourers, fishermen, small traders, service-holders and middle class gentlemen generally?*

(ii) *What are the purposes for which they generally borrow and at what rate of interest? State the difference in the rate of interest in the case of secured and unsecured loans.*

(iii) *In what way are the Government, the Co-operative Banks, and Joint Stock Banks and the indigenous bankers helping them now, and what steps do you suggest to give them better financial facilities?*

(iv) *Is the indebtedness among these classes generally on the increase or decrease?*

7. (i) *State what you know of the relations that exist between the Co-operative Banks and the other banks in the country, namely, the Imperial Bank of India, the Joint Stock Banks and the Indigenous Banks.*

(ii) *Describe any existing difficulties in the matter of finance in the case of co-operative societies, both in regard to short and long term capital.*

(iii) *Can you give an estimate of the amount of extra capital required for financing the co-operative movement in your district or province?*

(iv) *Is there any competition in your district or province between the Co-operative Banks and Joint Stock Banks, including loan offices, and the branches of the Imperial Bank of India, if any?*

(v) *If so, to what extent and in what direction?*

(vi) *Have you any views regarding the possibility and desirability of granting financial concessions in order to stimulate the growth of the co-operative movement (e.g., by extension of special exemption from income-tax to genuine co-operative societies, inclusion of debentures issued by the Provincial Co-operative Bank in the list of trustee securities, reduction of fees on money remitted through Post Offices)?*

7A. (i) *Is it desirable that Co-operative Central Banks should be permitted to grant loans to individual members and depositors?*

(ii) *Is it desirable to enlarge the scope for the investment of funds of co-operative societies and to relax the restrictions contained in section 32 of the Act?*

(iii) *Would you advocate free interlending of funds between co-operative societies and Joint Stock Banks, including loan offices?*

(iv) *What are the relations between them and what assistance do they render to each other?*

(v) *How far are Co-operative Central Banks in a position to undertake such banking business as remittances of money from one place to another, without infringing in any way the provisions of the Co-operative Societies Act?*

7B. (i) *What has been the effect of the establishment of co-operative societies in rural areas on the prevailing rates of interest on secured and unsecured loans to agriculturists in your district?*

(ii) *To what extent are co-operative credit societies replacing professional money-lenders of your locality? If possible, give some concrete instances.*

(iii) *What are the factors that operate against the rapid spread of Co-operative Banks in rural areas?*

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

1. *What are the loan offices or banks (other than co-operative credit societies) in your district—*

- (a) *at the district headquarters,*
- (b) *at the subdivisional headquarters, and*
- (c) *at other places?*

2. *What are the relative proportions of the different items of the working funds of such institutions, e.g.—*

- (a) *paid-up capital,*
- (b) *reserve fund,*
- (c) *short term deposits (i.e., money at call or at short notice, not exceeding one month),*
- (d) *intermediate deposits (repayable within two years), and*
- (e) *long term deposits (not repayable till after two years)?*

3. (i) *What are the rates of interest allowed on different classes of deposits?*

(ii) *What is the longest period for which deposits are accepted?*

4. *What are the proportions of the total funds invested in—*

- (a) *Government and other marketable securities,*
- (b) *loans against immovable properties (such as land and buildings),*
- (c) *advances to industrial concerns,*
- (d) *loans on personal security (such as simple promissory notes),*
- (e) *jewellery, and*
- (f) *goods (either directly, or indirectly in the form of documents of title such as railway receipt or bill of lading)?*

5. (i) *What are the different periods for which loans are granted, their purposes and the respective rates of interest?*

(ii) *Is compound interest charged and, if so, what is the practice with regard to the levy of such interest?*

(iii) *Is any interest deducted in advance at the time of granting loans?*

(iv) *Are the loans given for a fixed period? If so, are any steps taken when they become overdue?*

6. (i) *Do these institutions lend money to agriculturists? If so, under what circumstances?*

(ii) *Do you think that they can serve the interest of agriculturists better than any other agency?*

7. (i) *Is any business other than banking undertaken by these institutions? If so, what proportion of their total resources is so employed?*

(ii) *What are the difficulties which stand in the way of their doing ordinary commercial banking, e.g., discounting bills drawn in respect of goods sent from the mufassal to Calcutta and vice versa?*

8. (i) *What portion of the profits is utilised in building up a reserve fund, and how is such fund invested?*

(ii) *What are the rates of dividend paid during the last five years?*

9. (i) *Describe the present method of their keeping accounts.*

(ii) *Do you think that a uniform system of accounting and balance-sheets should be prescribed for all?*

10. *What is your opinion regarding such banks being federated into a central banking institution?*

11. *Can you suggest means by which loan offices can take a bigger share in financing trade and agriculture?*

12. *Have there been any bank failures in your district? If so, what were the causes of such failures?*

Part II.—Indigenous Banking.

(NOTE.—By indigenous banking is meant all banks and bankers other than the Imperial Bank of India, the Exchange Banks, Joint Stock Banks and Co-operative Banks. It includes any individual or private firm receiving deposits and dealing in hundis or lending money.)

1. *State what you know of the functions of the Indigenous Bank or banker in your district or province, enumerating all kinds of business the bank or banker transacts.*

2. *How and to what extent does an Indigenous Bank or banker in your district or province assist in financing agriculture, trade and industry?*

3. *State what you know of the organisation of the indigenous banking system in your district or province with regard to—*

(a) *the amount of capital invested,*

(b) *the volume of their business,*

(c) *their expenses, and*

(d) *the relations between one Indigenous Bank and another, between Indigenous Banks and other banks in the country, viz., the Imperial Bank of India, the Joint Stock Banks and the Co-operative Banks.*

4. State what you know of the various forms of hundis and other credit instruments used by the Indigenous Banks and bankers and the extent of their use. Give sample copies of any of the hundis, promissory notes, deposit receipts, etc., used in your locality.

5. (i) State what you know of the indigenous bankers' methods of granting loans and allowing cash credits and the terms and nature of these loans and cash credits.

(ii) What are the means by which the Indigenous Banks and bankers provide themselves with funds to meet their demands?

(iii) What are the rates of interest allowed on various kinds of deposits received by them?

(iv) *Do the indigenous bankers in Calcutta and other principal towns in Bengal get sufficient facilities for rediscounting hundis with the Imperial Bank or with Joint Stock Banks, if any?*

(v) *Can you suggest measures for increasing such facilities?*

6. (i) What are the rates of interest either in money or in kind which the agricultural community has to pay at present to the indigenous banker?

(ii) In what manner do you suggest these rates could be brought down by better organisation?

(iii) Would the reduction of such rates confer great benefit on the agricultural community and increase its resources, thereby leading either to an improvement in the standard of living or enabling them to spend more on agricultural improvements, better agricultural implements, etc.?

7. (i) Is there a prejudice in your locality against the indigenous bankers?

(ii) Are these bankers sufficiently protected in law?

(iii) Is there any legal or other facility which can be extended to them?

(iv) Are the dealings of such class of bankers with their clientele conducted on sound lines?

(v) If not, indicate the existing defects, making suggestions for remedying them.

8. (i) Would you suggest any means of making this class of bankers more serviceable to the community?

(ii) Could you suggest any means by which the indigenous banking system could be improved and consolidated?

(iii) Do you recommend any special facilities to be given to this class for this purpose?

(iv) What do you think would be the attitude of the indigenous banking community towards the introduction of any measures for regulating their operations and for giving publicity to the same?

9. After making allowances for the legal expenses, management charges, losses through default and losses through foreclosure, can you give an idea of the net return to the Indigenous Banks and bankers on their capital?

10. Please state whether the Indigenous Banks and bankers are able to meet all demands for accommodation, or whether they are obliged to refuse any either on account of the unacceptable nature of the security offered or owing to insufficiency of their working capital?

11. (i) How in your opinion should the indigenous banking system be linked with the central money market and provincial capitals?

(ii) Would you suggest the establishment of a branch of a Joint Stock Bank, or a branch of a Central Reserve Bank, or a local bank with local directorate in each district with which the indigenous banking system may be connected?

(iii) In what manner could such a bank inspire the confidence of the indigenous bankers and be able to utilise the local knowledge and experience of the latter?

(iv) How is the competition of such a bank with the indigenous bankers to be avoided?

12. (i) Do you think there is a large amount of money in the hands of the indigenous bankers which does not find employment throughout the year?

(ii) Do you think that owing to this cause any large amount of money is flowing to the provincial capital, either for long or for short periods?

(iii) Do you think any kind of improvement in the organisation of lending or borrowing can be made by which these funds, instead of flowing to the provincial capitals, would find remunerative employment in the districts and thereby benefit the districts?

Part III.—Investment Habit and Attraction of Capital.

1. (i) What are the existing banking resources in the province?

(ii) Can you state the amount of additional capital, if any, required?

(iii) What are the means or institutions in existence for encouraging savings and investment habit?

(iv) Are the public provided with full facilities for the investment of their savings?

(v) Can the existing facilities be improved in any way or extended in the smaller interior places?

(vi) Can you give any useful information in regard to the habits of the people of India to invest in silver and gold?

2. (i) Are postal cash certificates popular in your district or province, and can any steps be taken to increase their popularity?

(ii) Do present interest rates of cash certificates require revision, and do existing terms of issue in any way need change?

(iii) Do Savings Banks afford all possible facilities to the public?

(iv) What classes of population resort to such forms of investment?

(v) Can anything be done to attract other classes?

(vi) Have you anything to say regarding the alleged competition of Government with banking institutions and bankers in regard to deposits by their attractive rates on postal cash certificates and treasury bills?

3. (i) State the existing facilities for purchase and sale of Government securities afforded by Government, the Imperial Bank of India and other banks. Are you in favour of granting any special facilities to the small agriculturists and the small investors of the country to take up some form of Government security? If so, state what special facilities you recommend?

(ii) State the existing facilities for purchase and sale of securities other than Government securities, afforded by the various financial agencies.

(iii) Can you indicate clearly the habits of various groups of people in your district or province with reference to moneys which come into their hands by sale of produce or through any other cause? Where do they keep this money, and for what purposes and in what manner do they use it?

(iv) Do the farmers lend to fellow-agriculturists, and on what terms? How do they invest surplus money in a prosperous year? Give any information you can regarding the amount, growth and distribution of capital among the indigenous population.

4. (i) State what you know about the growth of the cheque habit.

(ii) What has been the effect of the abolition of stamp duty on cheques?

(iii) What classes of population use cheques? Have you any suggestions to make for further promoting the cheque habit (e.g., payment of Government servants and bank employees above Rs. 100 by cheques)?

(iv) Have you any suggestions to make regarding the use of vernacular scripts in banking?

5. (i) Do you support the view that the banking and investment habit in India is of very slow growth?

(ii) If so, to what causes do you attribute it?

(iii) Have you any suggestions to make regarding the various possible means of educating the people of the country to invest their savings in productive undertakings (e.g., propaganda by Government in regard to Government loans for capital expenditure, etc.)?

(iv) As far as you know, what has been the result of the opening of new branches in recent years by the Imperial Bank of India?

Replies to General Questionnaire.

1.

Mr. L. S. Bingemann, I.C.S., District Officer, 24-Parganas.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) It is a matter of common knowledge that agriculturists cannot meet all their demands for cash from their own purse. Almost all of them have to incur debts to meet sudden calls on their purse. The machinery that at present exists to finance the agriculturists in their time of need consists of—

- (1) Private money-lenders.
- (2) Co-operative credit societies.
- (3) Government under Agriculturists' Loans Act and Land Improvements Loans Act.

Joint stock banks and loan offices very rarely undertake to finance the agriculturists in the villages.

(a) For expenses during cultivation, agriculturists have to frequent the doors of private local money-lenders or to borrow from local co-operative credit societies if there are any. The co-operative credit societies for various reasons cannot accommodate all who require money. Private money lending therefore still holds a very large place in the matter of financing agriculture.

(b) For capital and permanent improvements agriculturists very seldom take advantage of the provisions of the Land Improvements Loans Act. The finance for such undertakings comes from the two sources mentioned above, viz., private money-lenders and co-operative credit societies. For dearth of finance, such undertakings the cultivators very seldom launch upon, unless they see these urgent and assuredly paying. Had there existed any machinery for liberal finance, improvement of land would have been more frequent and gross production would have increased. Though the provisions of the Land Improvements Loans Act are quite liberal still for lack of proper propaganda among the agriculturists, these are not taken advantage of. Besides it is not meet and proper that Government should undertake to provide finance for all sorts of improvement of land. Some other machinery should be brought into existence to serve the purpose.

(c) For other needs of the agriculturists the finance is dearer than in the previous cases though the sources are the same.

(ii) The rates of interest charged vary from 15 to 75 per cent. in general cases, 150 per cent. per annum is also met with in certain cases.

The period for which loans are taken varies generally with their purposes. In majority of cases (90 per cent.) loans are taken for short periods for 4 to 8 months. Loans are generally taken in May, June or July and are repaid in December, January or February. Short-term loans are generally advanced in kind by lending paddy and the security for such loans is seldom formally taken though the standing crops are always looked to by the financiers as such. It is for ceremonial purposes such as sradh, marriage, etc., that long-term loans are generally taken on the security of their lands, tanks or such other assets and

in majority of those cases mortgage deeds are executed and registered. For these long-term loans, more often than not, no term of years for repayment is stipulated. Instances are not rare that these loans are handed down from previous generations. Modern tendency has grown to take resort to conditional transfer system and thus lands are passing to the hands of the money lending classes.

Unless a very intensive survey is made, the percentage of secured to unsecured loans cannot be arrived at. I think I shall not be far from truth if I estimate the ratio of secured to the unsecured for the short-term loans to be 20 to 80 whereas for long-term loans it will be inverse.

(iii) Vide answer to (i). Agricultural finance may be divided under two main heads, viz.—

(1) Production.

(2) Marketing.

Joint stock banks come to help when big dealers and merchants require money to purchase the produce of the agriculturists. Had the finance been supplied direct to the agriculturists much of the agrarian discontent would be saved. I have not come across any instances in which firms dealing in fertilisers have granted credit.

(iv) Total amount of capital required for the district will of course vary according as long-term loans are taken freely or not. The demand for short-term loans will also vary in abnormal years.

(v) The defects have been noted in answer to (i), such defects exist owing mainly to the lack of attention on the part of joint stock banks in this direction. It is only then joint stock banks which can add to the elasticity of finance.

Question 2.—(i) Soon after the harvesting is over the raiyats are approached by a host of agents with a view to purchase their produce. Very seldom the raiyats carry their produce themselves to sell in a trade centre to get a better price. Thus the raiyats are at the mercy of these middlemen who are mere agents of the big merchants or mill-owners.

The actual cultivators have never been able to hold his crop for a better price as they need cash most just after the harvest to meet the various liabilities he incurred beforehand. All sorts of dues are much pressingly demanded just at that time as each creditor wants to have his dues satisfied just before any other lest the proceeds of the harvest fall short and he might have to wait for another year. The pressure becomes so much insistent that cultivators have often to sell all their produce and then maintain themselves by borrowing till another crop is grown. Their improvident habits also lead them to indulge in extravagant expenditure and particularly litigation just after the harvest.

(ii) The possibilities of co-operative sale of agricultural produce are very great as tenants will then get the advantage of an organised association which will look to their well-being instead of profit-making at their expense. In order to become successful organisations tenants must be made to take a keen interest in their management and provision of finance, and to keep a vigilant eye upon the doings of the managers of such organisations.

(iv) and (v) Marketing of agricultural produce is being carried on from the cultivator to the exporting firms by cash payments. Credit

instruments have not as yet played any part in the internal trade of the country. Joint stock banks and loan offices only come to the help of merchant classes by providing actual cash needed by them. If the agriculturists themselves are granted credit much strain on marketing of agricultural produce caused by a chain of middlemen will be relieved and marketing will be freed of its many abuses in the intermediate stages.

(vi) (a) Villagers sell their produce to the agents who pay them cash and have, therefore, no occasion to know even the existence of banks or bankers. It is the merchants and dealers who have any transactions with a bank and these also simply relate to borrowing cash from it.

(b) No one is helped by any bank at the intermediate stage of the distribution of imported articles. The importing firm often at its own risk grants credit to the distributing agents which is not at all a feature of sound business. Repayment rests on the sweet will of the debtor who may dispose of the articles and yet will not pay unless actually sued. Thus the businessman has to do two functions, viz., that of a banker and also that of a businessman. The existence of banks in the country would have relieved businessmen much of the worry and the business much of the speculative charge which is imported to counterbalance loss against gain.

(vii) Yes. The growers do not get any credit against the produce they have at the time. Thus they are placed at the mercy of the buying agent who enjoy a sort of monopoly at the time.

(viii) For internal remittance there are no facilities in existence except actual cash transmissions through post offices.

(ix) The existing system is costly and attended with great risk and requires a long chain of intermediaries between the producer and the consumer. Co-operative sale associations may go a great way to remove the defects in the existing systems provided such associations do not suffer from financial difficulty and lack of business ability.

(x) The use of negotiable instruments is very rarely found in connection with the internal trade of the province. Only some Marwari firms resort to the use of hundis.

(xi) There is no doubt that the extensive use of bills will facilitate internal trade but the method of popularising their use is a matter for businessmen to deal with.

Question 3.—(i) Value of land per acre for different kinds of crops are given below :—

- (1) For paddy lands—Rs. 300.
- (2) For jute—Rs. 320.
- (3) For sugarcane and similar other crops—Rs. 300.

(ii) The factors that affect the value of land are mainly the nature of the sale, viz., whether it is peremptory or optional and the demand for such kinds of lands, which is to a large extent governed by proper advertisement of such sales. Thus it is often found that at a sale by court decrees and private negotiations the price is higher than at a sale for arrears of land revenue through certificate procedure.

Question 4.—(i) There are none.

(ii) The credit of the agriculturist has no doubt risen but the amendments have not yet exerted any appreciable influence on it.

(iii) Long-term credit associations only look to the lands of the agriculturists as security against their loans. When a joint family breaks up, the lands are subjected to the process of fragmentation and as there is no legal limit to this sort of fragmentation the lands deteriorate in value and productive capacity as well. This freedom for fragmentation has great deterrent effect on the establishment of long-term credit associations.

(iv) and (v) None is known to exist in this district.

(vi) Land mortgage banks on co-operative or joint stock principle could be established to save the tenantry from the usurious charges of the local money-lenders. The land-holders will be benefited as the establishment of these institutions will save the tenantry from the utter helplessness that is daily growing on them through the exactions of the middlemen and mahajans owing to their being the weaker party in all transactions with them. Some legal facilities and privileges will have to be granted to such institutions similar on the lines as has been granted to co-operative societies.

(vii) (a) To simplify reference and to avoid possibilities of disputes the sub-registry offices may be furnished with published record-of-rights registers to note encumbrances, fragmentations and transfers on payment of a compulsory fee along with the registration of such documents. The fragmentations on the break up of a joint family should be legally, to some extent, restricted and fragmentations on such occasions are to be registered compulsorily.

(b) Arbitration procedure as laid down for co-operative societies may be extended to this sort of banks even though these will not be constituted on co-operative basis and the awards of the arbitrators may be executed through Certificate procedure.

(c) In addition to the privileges mentioned above some scale of concession rates may be fixed for reference to these records and for having certified copies when such is required by these banks.

(viii) The proposed mortgage banks will certainly find it difficult to get their working capital from deposits which are very shy in this country, specially in concerns where Government has no supervision or control of some kind. Issue of debenture bonds will therefore be a matter of necessity in cases of establishment of such institutions. Funds from Central institutions will have to be borrowed when there will be sufficient growth of business. But in the first instance such funds will hardly be available for ventures of this kind.

(ix) As in the case of other corporations of this country, the debenture bonds should be guaranteed by the Government for both principal and interest as otherwise investing public will feel shy even though such a venture may prove beneficial to the people at large and also sound from the business point of view.

(x) To secure Government against unnecessary loss the following measures may be adopted :—

- (1) The Government debt will be the first charge on the assets of the bank so long as the debenture bonds are not withdrawn from circulation.
- (2) Audited balance sheets with audit reports of the concern should be submitted at the end of each financial year to the Collector of the district in which such concerns are situated and to the Accountant-General of the Province.

- (3) The Government will have the right of audit and inspection into the affairs of the concern, if at any time it is thought necessary to do so, from reports of mismanagement, etc., and, of its own motion to hold enquiries and place it under liquidation.
- (4) The Government shall have the right to nominate persons on the directorate of the concerns and to make the subdivisional officer their ex-officio chairman.

(xi) The terms to be offered by these agricultural mortgage banks should be sufficiently attractive to draw capital for these concerns. As there are now existing so many avenues of investment in which Government has direct connection and as this will be a novel one which will carry all that is attendant on an innovation, in my opinion the debentures should carry an interest of $7\frac{1}{2}$ per cent. per annum simple interest. The lending rate should be fixed according to local circumstances between $10\frac{1}{2}$ to $12\frac{1}{2}$ per cent. per annum. The margin between borrowing and lending has proved sufficient to cover expenses of management in big co-operative banks which includes also the duty of supervision of employment of capital.

(xii) Co-operative land mortgage banks should be granted the same protection with regard to the issue of debenture bonds by them.

(xiii) A land mortgage bank can have only the agriculturists having some lands to offer as security as its clients. But for landless classes who live by cultivation on temporary leases of land these banks will be chary of extending its help as these people have very little real security to offer. But their number is by no means negligible in the country. The real security that these can offer is their cattle, etc., some of which are not attachable in execution of a decree according to the Civil Procedure Code. But they have the expectation of crops grown on their temporary lands year after year to offer as their only real security which will hardly be accepted as these are invisible at the time of the transaction. There are, however, financiers who advance money against invisible security though charging a very high rate for their helpless condition. Co-operative credit movement has not touched even a very small fraction of the total agricultural population of the country. Even where rural co-operative credit societies have been started such persons are very rarely found among its members though almost half of the population of the village belong to this class. Thus the system of land mortgage bank will not be a complete solution of the problem for provision of long-term credit to agriculturists unless such banks can take within its fold these holders of temporary leases by acceptance of personal sureties instead of real security as is the practice in co-operative credit societies. In co-operative credit societies the principle of unlimited liability is a great factor in ensuring full success in repayment unless the whole management is absolutely dishonest. The activities of the rural co-operative credit societies should be extended in the direction of provision of long credit in addition to that of short-term credit as these are at present doing. Unless the co-operative movement takes upon itself the provision of long-term credit also in those villages at least where these now exists, duplication of independent financing agencies will effect adversely the interests of each unless these can act in co-ordination.

Question 5.—(i) No.

(ii) In order to arrive at the total indebtedness of the agricultural population the following method may be adopted:—

Take a village where a co-operative credit society exists and then have the property and debt statement of the society verified. You will get an estimate of debt per bigha of cultivable land. Thus an average for each district for each bigha of land may be obtained and by multiplication of the whole area the total may be arrived at.

(iii), (iv) and (v) In the above stated method the exact proportion will be available.

(vi) For lack of proper data it cannot be stated whether the agricultural indebtedness is on the increase or not.

(vii) People very seldom have recourse to borrowing under the provisions of these Acts unless local finance at the hands of mahajan shrinks for existence of famine conditions in the locality.

(viii) Circle officers may be authorised to recommend these loans and the subdivisional officers may be placed in charge of funds to be lent out each year by providing definite sums in each year's budget.

(ix) Kabulis as money-lenders are at present seen in almost every locality. Their method of lending is through hatchitta and handnotes. The principal amount is noted in it, the interest being payable monthly at orally stipulated rates. These Kabulis visit their debtors every month and realize their stipulated interest and after harvest and sale of produce realize their principal.

(x) Nil.

(xi) Usurious Loans Act of 1918 is seldom availed of by the people of the locality owing to the ignorance of its provisions. The Civil Courts may be authorised to send cases of breach of provisions to the District Magistrate for imposition of penalty which will produce a general deterrent effect.

(xii) No distinction is made as to the rate of interest in cases of unsecured and secured loans in most of the cases.

(xiii) There are vague rumours to the effect of taking bonds for larger sums than that are actually advanced but no specific cases could be alighted upon.

(xiv) Co-operative grain banks and seed stores will serve the purpose.

(xv) For each measure of paddy, one and a half measure are to be given at the time of repayment after harvest. In default it will be compounded at the end of each year till full satisfaction.

(xvi) The prevailing rates of interest are 15 and 18 per cent. per annum. Instances are very common where 37½ per cent. are charged. Generally the calculations are made by month and the month when it is advanced is taken into consideration and the month when the repayment is made is neglected. Personal takid is the more general method for enforcing repayment. Some creditors employ agents to mount guard at the time of thrashing paddy, etc., by the debtor cultivators and take away that much worth of produce which is due to him or have the produce sold at his instance to get his dues cleared.

(xvii) There is no doubt about the fact that a large number of land-owning tenants are being degraded into the position of tenants-at-will for their inability to redeem from their income the debts attended with a high rate of interest.

(xviii) Even though this process has been at work for some years past it is my impression from watching their work that they exert their best to free themselves from their debts by producing as much and as efficiently as possible until they find themselves heavily involved and it is then and then only they lose all heart in their work.

Question 6.—(i) Industries allied or supplementary to agriculture are hardly in existence. People are used to pass their time idly when they are not required for actual cultivation and harvesting work. As the proverb says, idle brains are the devil's workshop and it proves veritably true for the peasants in this country, for it is in this part of the year that crime and litigation increase and people want to pass their days in excitement of some sort or other. Formerly the villagers had other sort of occupation in vacant days according to the vocation of the caste to which each belongs. For example, weavers used to spin, the potters to make pots, the smiths to make cutlery articles for village use and so on. But now all the industries have disappeared except where there remains still a demand for coarse articles which are not turned out from factories and mills. These decadent industries can be revived by co-operative methods.

(ii) By co-operative method the cottage worker will be supplied with funds for purchase of his tools and raw materials and will have to deliver his finished product to the society which will arrange for its sale in the best market possible. This method had the approbation of the Industrial Commission in the matter of resuscitation of cottage industries.

(iii) Number of conventional necessities are daily increasing. The farmer population can be initiated into these new industries which can be worked in their own home without much training or technical knowledge. For example, brush-making, cane works, rope-making, paste board, basket-making, embroidery sewing, doll-making, toy-making and so one.

(iv) and (v) The working capital should be advanced by Government under the budget of the Industries Department.

Question 6A.—(i) Small industries of this class have been found generally to be proprietary or on partnership basis. That these are lacking in financial sufficiency and, therefore, in the best type of machinery, is evident from the wretched look these factories present to persons who have occasions to pay a visit to them. These industries though working on a small scale for financial stringency are those of a pioneering nature. Banks do not at all help them at the initial stage either with regard to fixed or circulating capital. In fact, banks of this nature, viz., to finance small home industries, are not many to be found.

(ii) As banks cannot be found willing to finance these small industries, capitalist pioneers will be necessary to launch those industries successfully.

Question 6B.—The village mahajans supply finance both to agriculturists and non-agriculturists. Where there are Kabuli money-lenders, non-agriculturists people more generally go to them as the Kabulis do not

ask for any tangible security against the loans advanced by them. The purposes for which these people incur debts smack generally of improvidence such as intoxication, gambling, litigation, etc. At times no doubt these people require sums for productive purposes such as maintenance, medical treatment, etc. Very often no difference is made in the method of rates of interest between secured and unsecured loans.

These non-agriculturists get no help from the Government or the joint stock banks. Where there are co-operative banks they get loans generally for purposes of productive nature. But the individual bankers when advancing loans to them seldom care to make any enquiry about the purpose for which the loan is taken. With the spread of co-operative and other kinds of bank in the country the Kabuli money-lender will disappear and with them the frequency of loans taken for improvident purposes. From familiar talk with certain individuals of this class it is found that their indebtedness is on the increase as in order to repay one debt with interest they have to incur another debt very often bearing a higher rate of interest than the former one on account of their insufficiency of income.

Question 7.—(i) At present the Imperial Bank of India has been found to finance the co-operative movement to a certain extent through the Provincial Co-operative Bank. But the joint stock banks and loan offices have established no relationship or rather a hostile one with the co-operative banks of the locality.

(ii) The existing difficulties that the co-operative societies have to experience in the matter of getting sufficient finance for short and long terms are many. It is admitted that Indian deposits are shy. People will rather hoard their money or invest in jewelleries than deposit them in banks fetching some interest. Those who are a little more advanced will prefer to invest their savings in Government institutions to doing so in local ones. Even those who deposit in co-operative banks attracted by higher rates of interest seldom keep their money for long terms. People prefer rather renewing their deposits than stipulating in the beginning for a longer term. This element of lurking distrust in the management of co-operative institutions has been the greatest stumbling block to get long-term deposits. Besides this element of distrust, there is the competition between co-operative banks and well established joint stock banks and loan offices. These latter type of banks often deal with short-term loans for merchants and commercial classes and therefore can often offer higher rates than the co-operative banks can do. Thus the co-operative banks have to struggle hard for securing deposits, specially for long-terms. Unless the co-operative banks can attract the imagination of the investing public by offer of special facilities such as free or at least reduced remittance charges either through post offices or treasuries, freedom from payment of income-tax on the earnings through investments in co-operative institutions, acceptance of cheques on co-operative banks in payment of Government dues, etc., the co-operative bank can hope very little advance in getting adequate finance specially for long terms.

Question 7A.—(i) So long the co-operative central banks have confined their activities to the financing of only affiliated societies, but it requires a duplication of management charges in the shape of town banks to finance the individual members and depositors of the central bank when they require any loan. Not only it is desirable but also economic to permit central banks to finance individuals and depositors who may require loan by enlisting them as members.

(u) Though generally the central and provincial co-operative banks suffer from dearth of money yet at times they are in glut of funds when they will have to keep idle on account of restrictions laid down in the statute in section 32 of the Act. This glut season of the co-operative bank is often the tight season of the commercial and trading interest. If these co-operative banks can freely lend to other local financing institutions, this free inter-lending will not only kill the competition but will have an appreciable influence in reducing the general rate of interest of the country.

*The expansion of the business of the co-operative banks more and more in the line of supplying other banking needs of the country will surely go a great way to make them more popular. Remittance of money from one place to another through the provincial bank is now undertaken by some of the central banks by means of issuing a demand draft on the provincial bank in favour of the person to which the money is to be remitted. The person having the demand draft can present it to any central bank which has an account with the provincial bank and can pay the amount on getting an intimation from the provincial bank. The Co-operative Societies Act restricts these transactions among members of co-operative societies only. This may be extended to non-members also, to allow the co-operative banks to expand on the banking side provided such transactions take place for bona fide deposit purposes.

Question 7B.—The establishment of co-operative societies in rural areas has reduced the prevailing rate of interest on unsecured loans, especially as the co-operative societies generally grant unsecured loans. Of course, this reduction of rate on unsecured loans has produced a reaction on the rate for secured loans which are being lowered lest custom of the local money-lenders may go over to the co-operative societies. As co-operative movement has not spread in all the places and all the directions the scope for professional money-lenders remains as before or has been reduced only very slightly. In no village all the borrowings have been contracted from a co-operative society even though such an institution exists there for years.

The factors that operate against the spread of co-operative banks in rural areas are, to my mind,—

- (1) the illiteracy of the masses and their being easily frightened by mischievous propaganda by professional money-lenders.
- (2) inadequacy of number of persons to do propaganda work.
- (3) inadequacy of funds to finance those which are in existence leads other villages to adopt the principle of "wait and see."

Part II.—Indigenous Banking.

Question 1.—There are private money-lenders in almost all villages. It is not a practice with them to receive any deposits from other villagers or deal in any other kind of banking business except lending money to individuals at their own risk.

Question 2.—The sum that is lent out by these village money-lenders is for the major part of it applied to agriculture, trade and cottage industries. About three-fourths of the finance required for these purposes are supplied by them.

Question 3.—The total amount of capital invested by them in these directions and the volume of business cannot be guessed correctly unless special investigations in this line are taken up. But it is known that their expenses of management barring the civil court expenses, are very small. The relation between the private money-lenders or between a private money-lender and any other bank is not at all a friendly one, rather at times hostile to each other.

Question 4.—None of the kinds are seen to be used by them.

Question 5.—(i) When a person applies for a loan the private money-lender holds some sort of enquiry about the financial condition of him, and if satisfied, agrees to grant a loan on the terms settled between them. Cash credits in the proper sense of the term are never granted by these persons. Only sometimes they issue out loans in instalments on mutual agreement between them.

(ii) These money-lenders supply their own capital and have never been found to go to borrow to place themselves in funds to be lent out to its clientele. They will rather refuse loans than go to borrow.

Question 6.—(i) Rupees 18 to 37 per cent. is the ordinary rate of interest in money. Twenty-five to 50 per cent. is charged for paddy debts though the debts may be only for a few months.

(ii) Rates could be brought down only when there is plenty of money seeking investment and there is sufficient security the borrowers can offer. Of course, an artificial limit can be imposed by a legal enactment but this will be ineffective and therefore evaded if that does not conform to business conditions.

A net-work of banks all over the country will certainly tempt these private money-lenders to deposit their capital in these banks rather than troubling themselves with collection and takid, etc., that are attendant on the business of lending.

(iii) Reduction of rates may place with the agriculturists a surplus of funds which is sure to confer great benefit on the community.

Question 7.—Indigenous bankers are regarded as saviours of the people in the locality where there is no other source of financial accommodation. The general law of the country is quite sufficient to protect their interests. But, in my opinion, these persons are hastening the bankruptcy of the peasantry by making the solvents pay for their brethren of indifferent means who are not entirely excluded from the clientele of the village money-lenders. Extension of the sound banking system in the country is the only remedy to the evils of the private money-lending system.

Question 8.—So long as the country is not covered with a net-work of banks this class of money-lenders is an indispensable factor in agricultural finance. But their exorbitant rates of interest over-burden the agricultural finance. This exorbitant rate of interest is the canker of the system. This can be removed to some extent at least if some competitive institutions could be brought into being in those localities where this canker is eating into the vitals. Each money-lender must have to register himself as such in the district and subdivisional offices and on registration some facilities may be extended to them in the shape of extension of certificate procedure, etc., for the prompt realisation of their dues. The indigenous bankers will not surely look with favour if any

measures for regulating their operations are introduced unless it is accompanied with some concessions as well.

Question 9.—The net return of the indigenous bankers on the capital, after allowing the charges in connection with realization, does not exceed 8 to 10 per cent.

Question 10.—The nature of security offered by the debtor is the main consideration of these classes and when the security is not to one's own liking the debtor is refused loan till he agrees to offer the security demanded by the money-lender. But it is a fact that all who come for accommodation do not get it not for want of capital but for considerations of solvency or security of the debtors.

Question 11.—The indigenous banking system can be linked up with the central money market and provincial capitals only through the extension of joint stock or co-operative banks in those localities. These indigenous bankers will turn depositors or even directors of such local banks as is often found in co-operative banks.

Question 12.—I have indicated above that the indigenous bankers are very cautious in their lending to individuals. This mentality has led them to keep sums uninvested rather than accept investments which appear to them risky for want of tangible security to be offered by them.

This surplus of funds in their hands no doubt goes to the provincial capitals mainly as investments in Government securities.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) The existing banking resources in the province are funds in the hands of the private money-lenders and those in the tills of the numerous banks and banking firms. As private investors are very shy, often idle hoards are kept by them in hand.

(ii) It is not possible to arrive at any approximate amount of additional capital that will be required. But it is true that additional capital is required to finance all schemes of improvement the agriculturists are willing to undertake but they are debarred from doing so for want of funds.

(iii) (1) Post office savings banks and (2) co-operative banks where there such exist.

(iv) Though the above institutions have existed for a long time it cannot be said that the public has been provided with full facilities. It is a matter of common experience that the agriculturists in general do not frequent the post office savings banks. The co-operative banks have not yet been able to deal with small deposits in an efficient manner.

(v) The rate of interest allowed by the post office savings bank may be raised to the same level as is allowed on the cash certificates and all branch offices should be allowed to have a savings bank section and, for encouragement of propaganda in the locality, the postal clerks in charge of that section may be granted some bonus or rewards on the enlistment of depositors during their term of service.

(vi) It is common knowledge that people in general love ornaments of silver and gold, and whenever they find any surplus they are tempted to invest in ornaments as there are no other scope for their investment. The underlying idea in investing in gold and silver is considered by them that possession under one's own eyes is more secure than holding a pass book or an investment certificate.

Question 2.—Postal cash certificates have become popular with middle-class educated men but alteration in the rate of interest within so short a period has affected its popularity to a certain extent. Besides investments of larger amounts in other kinds of Government securities (viz., War bonds, etc.) fetch higher rates of interest. The rates may be revised to keep all of them almost on a par with one another. It is a matter of common experience with the public that clerks in charge of savings bank sections of post offices are unnecessarily punctilious and thus often prove themselves annoying to the public. This state of affairs can be remedied to a certain extent if these clerks are given some training before they are placed in this charge.

(iv) As I have said above only middle-class educated gentry resort to investment in cash certificates and savings banks.

(v) I have indicated above.

(vi) This competition on the part of the Government with the banks of course affects the private banks with regard to deposits, but to my mind if Government would not have granted facilities for investment these amounts of capital would not have been available for the purposes they were obtained.

Question 3.—(iii) When cultivators get money after disposal of their produce they generally spend up the amounts in various ways in a few months and again go to the mahajans for a fresh loan.

(iv) In prosperous years the agriculturists after paying up their old debts are found to lead a very extravagant life and often indulge in litigation both civil and criminal.

Question 4.—Cheque habit is rarely seen in rural areas. It is only in business centres and among business men that the use of cheques is very prevalent. Vernacular scripts in banking in my opinion will be of some good in spreading the cheque habit in rural areas. The co-operative banks should undertake to popularise the cheque habit in rural areas by introduction of vernacular cheques.

Question 5.—It is true that banking and investment habit in accordance with the modern methods is growing slowly in the country. Formerly, for want of good communication and for limitation of market the agriculturists used to store paddy from generation to generation. This stock they used to sell when hard pressed for actual cash. But on opening of the world market these savings of the generations have all been sold up and the amount of cash received has been spent up so that the whole population is now stranded at a stage where income hardly suffices for the expenditure or even fall below in years of scarcity. Now, unless the people again turn thrifty and invest their savings in some way or other in banks or with the Government, growth of capital to finance all improvement schemes will not be possible. It now devolves upon the Department of Co-operative Societies to carry on extensive propaganda for inculcating thrifty habits among the rural population and to provide scope for easy investments and withdrawals by the agriculturists of their small savings.

2.

**Mr. M. M. Stuart, I. C. S., Subdivisional Officer, Barrackpore
(24-Parganas).**

Part III.—Investment Habit and Attraction of Capital.

Question 3.—(iii) It is of interest that some Rs. 2,50,000 is received in this sub-treasury every week from the post offices, most of which is money sent by mill workers to their own country by money order. These people when in need borrow money from darwans, jamadars of mills, etc., and, when they have no security, from Kabulis, of whom there are a great number in the subdivision.

3.

**Mr. Abdus Subhan Mahmud, Subdivisional Officer, Diamond Harbour
(24-Parganas).**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) The agriculturists (it means the cultivating tenants, there being no farm or anything of the kind in this subdivision) obtain finances during cultivation as follows:—

(1) If he has no cattle, he purchases them by incurring debt from mahajans or money-lenders or from some well-to-do tenants and from merchants as advance, and from rural agricultural co-operative banks which are only 136 in this subdivision.

(2) Expenses of getting labour by exchange of labour; he will work for others who in their turn work for him.

(3) Maintenance of family—He borrows paddy on condition of returning the same with half the amount in excess in most cases.

(b) Capital and permanent improvements—For this the agriculturist is mainly dependent on the landlord; in some cases the drainage channels are excavated by the combined labour of the villages, but these cases are very few. In Khasmahal, Government does the improvements. In some cases of special importance (e.g., Magrahat drainage channel) Government does the work and agriculturists pay a tax as drainage tax towards the expenses incurred by Government.

(c) The agriculturist obtains finance by borrowing from professional money-lenders, zamindar money-lenders and merchants and from well-to-do tenants and rural agricultural banks. Rent in Khasmahal is generally paid after disposal of produce, as the kist for payment has been fixed accordingly.

(ii) (I) The rates of interest vary from 6 pies in the rupee per month to 2 annas in the rupee per month, but this holds good for small loans and for periods up to a year at the most. For a period longer than that the rate of interest comes down to Re. 1-4 to Rs. 2 per cent. per month; the rate is lower in case of large amounts borrowed.

(2) The loans are generally taken by the agriculturists for the period beginning from the month of Asarh up to the month of Kartic.

(3) In most cases lands are mortgaged either by simple mortgage deed or by usufructuary mortgage deeds; in the latter case standing crops are taken in lieu of interest.

(4) In the case of usufructuary mortgage deeds, money-lenders are in most cases liable to pay rent of the lands mortgaged to them.

Loans are not given without security except as advance to cultivators and which can hardly exceed 20 per cent. of the total loan to agriculturists.

(iii) Government gives agricultural loans only in case of distress or calamity and land improvement loans in rare cases.

Imperial Bank of India—Nil.

Joint-stock banks—Nil.

Co-operative banks—The village banks have been opened here only for a short time. Their utility has not yet been fully appreciated by the public, for repayment is not satisfactory and most of the rural banks have defaulted to the Co-operative Central Bank.

Indigenous banks—Nil.

And bankers—Nil.

Professional money-lenders—They play the main part in agricultural finance by lending money.

Merchants also play some part in agricultural finance by making advances to agriculturists known as dadans, thus compelling the agriculturists to sell their produce to the merchants at a price fixed at the time of making the advance.

Other organisations giving credit—Nil.

(iv) It is difficult to lay down any hard and fast figure for the actual capital required. By thrift and husbandry much of the expenses of the cultivators may be cut down to make them independent as to their ordinary costs of cultivation. Extension of the rural co-operative banks together with the honesty of the member to make proper use of it, and to repay the loan punctually can meet all the legitimate expenses of the agriculturists, and any improved method of agriculture and introduction of new crops can very well be financed by co-operative banks in conjunction with the Agricultural Department.

(v) In the present system of financing agriculture, the agriculturist cannot enjoy the income derived from production as they are eaten up by money-lenders in the shape of interest and by merchants on account of their advance. The agriculturist cannot wait for better market as the mahajans fall upon him, some will take the paddy advanced for dadan, some will take the paddy with an addition of half the amount for that advanced before for the maintenance of the agriculturist and his family.

These defects will continue to exist so long as the agriculturist is at the mercy of money-lenders for loan.

The defects may be remedied by extensive increase of co-operative agricultural banks, aided by mass education. The security of the banks however depends on the honesty and integrity of the members, and so long as that is not secured, mere extension of banks will serve no useful purpose.

(vi) No, there is no scope of improvement as the private credit agencies will seek their individual interests.

Question 2.—(i) Paddy is the principal crop of the subdivision. Paddy and rice are purchased by the merchants in the following ways:—

(1) In some cases the agents of the merchants buy paddy at the houses of the raiyats.

(2) In some cases the raiyats bring paddy to the market place where it is purchased by the agents of the merchants who have got firms at those places.

(3) In some cases the paddy is purchased by the intermediate dealers from house to house of the raiyats; these intermediate dealers in their turn sell the paddy to big merchants.

(4) In some cases the raiyats bring the paddy direct to the firms of the mahajan from whom they took dadans (advance money).

The raiyat is unable to hold up the crops for better price, because the mahajans and money-lenders will fall upon him as soon as the harvest is over for the money or paddy advanced. Further, the raiyat has got no other source of getting money to meet their demands, also to meet the expenses of his family, than to dispose of the paddy.

(ii) Co-operative Societies have been established in this subdivision not long ago. The people are not yet fully trained. Pools for marketing produce on co-operative principle may be formed afterwards when the people will become conversant with co-operative principle.

(iii) Nil.

(c) There will be no special difference between internal trade and foreign trade.

(vi) (a) Banks and bankers—Nil.

Merchants—They buy the product at the hats and mokams at a generally low price as the raiyats, being all needy men, have to dispose of their products to meet their expenses in the shape of rent, debts and family wants, etc. The merchants, if they do not get good foreign market, stock the goods before export. These merchants play a great deal in the financing of the export trade. Dealers cannot exert the same influence as big merchants as the former carry on their business with a small capital.

(b) Banks and bankers—Nil.

(vi) (a) The big merchants have got their head offices in Calcutta, and they get their finance from the banks on usual terms.

The small dealers usually borrow money from local money-lenders if they have no capital of their own, or get advance from big merchants to supply them produce after purchase.

(vi) (b) It is true that growers of produce in this part of the country do not get the full value of their produce because they cannot stock their produce for better market as they cannot get finance during the marketing period. They are at the mercy of the firms and companies who dictate the prices. These firms and companies carrying on export trade buy goods at a speculative price which must be necessarily low so as to bring them a good return even for the period for which the goods may be stocked for good market.

All the companies and firms have got their selling agents at Calcutta, so it is not possible to submit facts and figures, but it is certain that the firms (e.g., Ralli Bros., Shaw Wallace, Graham & Co.) stock goods.

By establishing sale societies on co-operative principles, the growers may get the benefit of the increased price of the products at least to some extent, but, according to the present condition of the locality, it will take time to have sale societies here.

(vii) Receiving of advance money as dadan from the buyer which is a sort of monopoly will affect banking facilities to persons engaged in the movement of principal crops.

There is no bank in this subdivision to finance the sellers of principal crops of this place.

(viii) No existing facilities for internal remittance; money is paid in cash by the local agents of the firms who get their remittance from the head office either through post office or through darwaas.

(ix) The present system is risky, and in the absence of any bank there can be no suggestion for improvement.

(xix) None at present.

(xx) If it is desired that warehouses should be started, Government assistance under the supervision of Co-operative Department is essential, otherwise the schemes will be failures.

Question 3.—(i) Paddy land—Rs. 450 per acre on average throughout the subdivision.

Paddy is the staple crop of the subdivision, other crops in proportion to the area of the subdivision are almost nil, and there is no difference in the price of lands for other crops and those for paddy.

(ii) Failure of crops and the price of food-stuffs affect the value of lands in different years. Value of land in Government auction for non-payment of revenue of khasmahal is reduced by 75 per cent. Value of the land in the event of sale by court decree decreases by about 50 to 75 per cent. of the real value. Value of land in purchase by private negotiation depends upon demand and necessity of the buyer and want of seller. In the former case the value goes up by even 50 per cent. and in the latter case it comes down by at most 25 per cent.

Question 4.—(i) After the passing of the amended Bengal Tenancy Act usufructuary mortgages are decreasing and the amount advanced as loan is smaller than what used to be advanced for the same land.

(ii) By the amended Bengal Tenancy Act the credit of the agriculturist has been increased because he has got some additional right which he did not possess and which hampered him much in the full use of his lands.

But his credit has been affected so far as capital used to be raised by usufructuary mortgage of lands, on account of compulsory redemption after a certain number of years.

(iv) There are no mortgage banks in this subdivision. There are agricultural co-operative banks, but these banks are now working on short term credit system.

4.

Mr. T. C. Roy, District Officer, Nadia.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) Agriculturists obtain finance—

- (a) For expenses during cultivation mostly from the (1) local mahajans, (2) merchants dealing in special crops and (3) co-operative credit societies where they exist. They also obtain finance from (4) landlords who have got tejaraṭi business and (5) itinerant Kabulis at a high rate of interest. But this is to a very small extent.
- (b) From (1) mahajans, (2) co-operative societies, (3) landlords, (4) Kabulis and (5) the Government under Land Improvements Loans Act. The operation of the Land Improvements Loans Act is, however, very limited.
- (c) From the sources enumerated in (b) as well as from the Government under the Agriculturists' Loans Act.

(ii) The rates of interest vary from 9½ to 75 per cent. per annum; but the most common rate of interest is 37½ per cent. per annum; the period of loan generally extends to a year only, the nature of security consists in the mortgage of landed property and other assets such as ornaments, etc. Sometimes money is taken in advance from dealers in jute and cereals on condition that the produce when harvested will be sold to them at a price fixed at the time of advance. This sometimes works without interest and sometimes at cent. per cent. interest according as the market falls or rises at the time of sale. In some cases the usufruct of a small area is mortgaged by the cultivator for obtaining finance for the cultivation of his remaining lands. About 50 per cent. of the loans are taken in kind. These loans are payable after the harvest and the interest on these loans varies between a quarter and a half of the quantity borrowed. The period of this loan extends generally from 4 to 6 months. In the event of failure of payment by the end of the harvest, the quantity payable (i.e., one and one-fourth to one and-a-half times of the quantity taken including principal) is realised after the next year's harvest with an addition of one-fourth to one-half of the quantity originally stipulated for. About 25 per cent. of the loans are secured and 75 per cent. unsecured.

(iii) In agricultural finance the part played by Government is the granting of loans under the Agriculturists' Loans Act and the Land Improvements Loans Act when owing to the failure of the monsoon there is a report of scarcity. In ordinary years the allotment is very small and absolutely inadequate for the requirements of the agriculturists. Neither is the amount quite adequate in years of scarcity.

The Imperial Bank of India plays no part in agricultural finance.

The part played by the four joint stock banks in the district is quite negligible. [These are (1) the Kumarkhali Banking Corporation, Limited, (2) the Kushtia Loan Office, (3) the Khoksa-Janipur Jubilee Bank and (4) Bengal Commercial Bank, Khoksa.]

There are indigenous bankers in Kushtia, and they lend money on the mortgage of crops. But their operations are very limited. The mahajans who finance agriculturists generally receive no deposits. A

few Marwaris do, but they do so more as traders than as financiers to agriculturists.

Professional money-lenders, dealers, etc., play the most important part in agricultural finance. 75 per cent. of the agriculturists get their financial help from them.

(v) The principal defects in the present system of financing agriculture are (1) uncertainty, (2) inadequacy and (3) high rate of interest. A cultivator is never sure of obtaining his finance and even when he gets it, it is rarely that he gets the full amount he needs. The banks and co-operative societies are all over-cautious, while the mahajans, though inclined at times to advance more than the cultivator has any reasonable chance of being able to repay, very often stints the loan as much as possible. The loans under the Agriculturists' Loans Act are seldom adequate. In the last case the reason is financial stringency of Government, which stands in the way of adequate allotments being made to District Officers. In the other cases, the reason is the uncertainty about realisation from the cultivators. The remedy lies in increasing the agencies for lending money to raiyats and an improvement in the productivity of the lands to enable the raiyats to pay in time.

(vi) There is very little of co-ordination among the various credit agencies. A member of a village co-operative society borrows from mahajans when his application for a loan is refused by his society and a man who cannot get a loan from a mahajan joins a co-operative society. As the mahajan considers a co-operative society as his enemy, no co-ordination will be possible for some time to come. Government and joint stock banks do not count in the matter. But in areas where there are co-operative societies, Government loans may be advanced through these societies.

Question 2. (i) The raiyats either sell their crops to the dealers and creditors at their own houses or at some central place within the village where they take their crops, or take their crops to the hats where they sell to farias. They are unable to hold up the crops for better prices on account of poverty and pressure of creditors and the zamindars.

(iii) In the Nadia district there is only one co-operative sale society at Alamdanga in the Chuadanga subdivision. The society was registered in the year 1925 and it is dealing only in jute. The membership of the Alamdanga Central Co-operative Supply and Sale Society, Ltd., is open to all persons residing or having movable properties in the district of Nadia and in the Jhenidah subdivision of the Jessore district. Registered co-operative societies in the area mentioned above are also eligible for its membership. There were 591 members on 31st March 1929, of whom 561 are individuals and the rest are registered co-operative societies. The paid-up share capital on 31st March 1929 was Rs. 10,627-12. The society is affiliated to and controlled by the Bengal Wholesale Co-operative Society, Ltd. All sales are done by the latter. The purchase of jute is done by the manager of the society under instructions from the Bengal Wholesale Society. The society gets its finance from the Bengal Provincial Co-operative Bank, Ltd., of Calcutta on the recommendation of the Bengal Wholesale Society, Ltd. The society did not experience any difficulty in getting funds for its working, but it experienced great difficulties in collecting jute on account of the counter propaganda of the interested

parties. The jute is sold to the mills as well as to the balers through European brokers generally, and the society gets better prices than the local merchants, on account of good assortment and the jute being free from moisture. The society is not getting much of its collection of jute from the raiyats direct but has to collect them through farias. Very few of the members of the societies are, however, actual cultivators. There is provision in the by-laws for giving a share of the profit to non-members and it is expected that by allowing the non-member cultivators dealing with the society to participate in the profits they would be induced to become members and the society will in course of time become wholly co-operative. The raiyats are steeped in ignorance. They have learnt something about co-operative credit; but though the co-operative movement has been in the country for 25 years now—the true co-operative spirit is generally lacking in our credit societies. A credit society may go on for some time even without the true co-operative spirit, being run as a loan company is run, but societies for marketing cannot succeed without loyalty of the members and I have great doubts how far it would be possible at present to secure such loyalty. The raiyats have no business training and they cannot manage their societies themselves. Necessarily departmental guidance to an extent that is undesirable from the co-operative point of view would be necessary at the outset. This guidance, if continued for any length of time, has a tendency to defeat its object by making the members indifferent. Till the initiative comes from the raiyats themselves, I doubt whether departmental efforts will produce any very satisfactory results.

(iv) Whenever the raiyat puts his produce in the custody of the purchaser he should receive an advance at the then market rate against the produce stored. At present, *aratdars* make such advances against the produce delivered for sale through their *arats* to the extent of almost three-fourths of the market value thereof. The crops are delivered at the *arats* by the *bepari* who has received an advance therefrom, but when the cultivator has received an advance himself, it is he who delivers them. The advance of three-fourths is generally given in the case of jute. I have no information as to whether in the case of other crops advances are made to the same extent. As a matter of fact, advances on crops other than jute are not very common.

(v) In foreign trade there is the organisation of bills of exchange and the exchange banks advance money on the security of bills-of-lading, etc. But in the inland trade there are practically no such facilities except the part advance made by the *aratdars*, as mentioned above. The complications of the foreign exchange do not arise; only provision has to be made for remittances of money for commodities purchased. Rupees and currency notes are sent from the port towns and commercial centres for payment to the cultivators. The shroff and mahajan and banking houses finance their trade and remittances are made through the instrumentality of bills or hundis.

(vi) The cultivator sells his stuff to a *bepari* or petty dealer who has received advances from a mahajan or *aratdar*. The latter sells to a representative of a large exporting firm or mill and prices are regulated by the conditions of the market external and internal. The only bankers through whose help the whole of this process is carried on are the *aratdar* or mahajan, who are merchants themselves. Banking organisation does not play any appreciable part.

(b) The importers of the foreign commodities make these over to the selling agents stationed at the important centres and they in their turn pass off those goods to the dealers in the mufassal. There the goods gradually find their way to the consumers. Facilities of finance are absent. The whole affair is managed by a graduated system of credit, as for instance, the importers allow the agents two months' credit, the agent in his turn allows mufassal dealer one month's credit and so on. Only at the top there is a mahajan banker who pays off the exporter.

Question 3. (i) The value of land varies in different parts of the district, that of jute land between Rs. 600 and Rs. 60; of paddy land between Rs. 300 and Rs. 60.

(ii) The factors affecting value are: (1) productivity, (2) marketing facilities, (3) supply of labour, (4) suitability of the land for the production of higher priced crops, (5) annual rent payable and (6) demand for land.

It is seldom that proper value of land is realised at auction sales for non-payment of revenue or in sale by court decree. Purchase by private negotiation generally fetches the proper price unless the purchaser is in a position to coerce the seller.

Question 4. (vi) I do not think the same bank can cater both for landholders and raiyats. In each district or subdivision the landholders might form themselves into co-operative banking associations. The funds of these banks might be raised by shares and deposits as well as by advances either from the State or the Imperial Bank. Holders of zamindari and tenures of a certain size or income might become members of the association. As for actual cultivators of the soil, any new institution which might stand as a rival to the village credit society is to be deprecated and I should suggest that long-term loans to them should be supplied through the village co-operative societies. It would be necessary for the central banks financing the village banks to obtain long-term credit for their deposits and loans, if they are to give long-term loans to the latter. State aid through the Imperial Bank might be necessary for the purpose in addition to the issue of debenture bonds.

(vii) (a) (b) (c) No suggestions.

(viii) From all these.

(ix) It would not be possible to popularise debenture bonds without some sort of Government guarantee both for principal and interest.

(x) Government has got to take the risk and I do not suggest any measures. But it is perhaps possible to have some sort of a sinking fund in each bank to cover such losses to Government. A certain percentage of the profits might be put into the fund every year.

(xi) Terms would vary in different districts.

(xii) No suggestion.

Question 5. (i) No.

(ii) In each central bank's office there is a property and debt statement of the members of each co-operative society affiliated to it. The statement gives the amount of debts of each member. Each member of a co-operative society generally represents a family. Each central bank is in a position to furnish the number of members of

societies affiliated to it and their total indebtedness. It is possible to obtain the number of families of agriculturists in the province from the census tables. We might obtain the average indebtedness of an agriculturist family from the figures from the central banks and applying this average to the number of agricultural families obtained from the census tables, we might obtain the total indebtedness.

(iii) The above method will not give separate figures for secured and unsecured debts. Each sub-registrar can give the total amount of mortgage and other bonds registered at his office during six years. I think the total of six years' figures from the registry offices of mortgage bonds may give the amount of secured debts, and that of three years' figures plus the central bank's figures might possibly give the amount of unsecured debts.

The figures for the district would be as follow :—

Unsecured loans.

	Rs.
Indebtedness of members of co-operative societies in the district to the societies	17,66,278
Sub-Registrar's figures for unsecured loans (3 × 3,12,783) ..	9,38,349
Paddy loans (estimated at half of the other loans) ..	13,52,313
Total ..	40,56,940

Secured loans.

Total amount of mortgage loans during 1928-29 = Rs. 19,61,110.

(6 × 19,61,110) = Rs. 1,17,66,660, half of this may be taken to be the debts of agriculturists

58,83,330

99,40,270

Of the five central banks in the district only two could furnish the figures of indebtedness of members to societies as well as to outsiders—the other three could not.

The total of secured and unsecured debts thus comes to Rs. 99,40,270.

If we take the amount of unregistered debts at about Rs. 60,00,000, the total comes to Rs. 1,59,40,270 or Rs. 1,60,00,000 [vide answer to question 7 (iii) also].

Question 5. (iii) The unregistered debts include debts on unregistered bonds as well as haolats, credit in shop-keeper's account, loans on entries in khatas of Kabulies and other money-lenders, promissory notes, etc. The figure was arrived at by guess, which was suggested by the difference between the figure arrived at by calculation based on figures supplied by the Sub-Registrars and central banks [vide answer to question 5.(iii)] and that arrived at by the application of the average debt of a member of a co-operative society to the total number of agricultural families [vide answer to question 7 (iii)].

(iv) No remarks.

(v) Mostly to professional money-lenders and to indigenous bankers.

(vi) Increasing.

(vii) Loans under the Land Improvements Loans Act and the Agriculturists' Loans Act are available only in years of scarcity and that too to a very limited extent and they are far from meeting the needs of the agriculturists.

(viii) It is not that the operation of the Act fails to meet the needs of the agriculturists on account of the delay involved in them. Even as the Act stands the enquiries under the Act do not take much time. The amount available for loans under the Act is meagre.

(ix) Yes. They lend money at very high rates of interest varying from one anna to 2 annas per rupee per month on simple bonds without security.

(x) I remember one case of Rampurhat subdivision. A Santhal had borrowed some paddy worth less than Rs. 50 some 20 years before. He had paid to the mahajan about Rs. 400. Yet I found him indebted to the extent of about Rs. 500 for which the mahajan had obtained a decree in the civil court. The figures given above are approximately correct.

(xi) No remarks.

(xii) No.

(xiii) No. The Act is seldom made use of.

(xiv) The organisation of supply societies on co-operative lines.

(xv) Twenty-five to 50 per cent.

(xvi) Simple interest is generally charged, but the interest of 25 to 50 per cent. has to be paid irrespective of duration prescribed; the loan is repaid within the year. If it is not repaid within the year, the following year's interest is added, if payment is put off till the next harvest. The practice of charging compound interest has practically become obsolete. Recourse is had to court if payment is not made. This answer refers to paddy loans only.

(xvii) In a few cases this may have happened in the past, but it happens but rarely now.

(xviii) The process is not going on to any appreciable extent.

Question 6. (i) The industries mentioned in the questionnaire are of very little importance in this district. Dairy farming, cotton gineries, sugar refineries are practically unknown. Hand-spinning and gur-making are carried on to a certain extent, but the total annual labour force employed in them does not exceed 0.1 per cent. of the total number employed in agriculture. A number of people in Kali-gunge thana live by making sola-hats. There are now no sugar refineries in Santipur worth the name.

(ii) The industries could be encouraged by holding annual exhibitions of their products and offering prizes and certificates to the best producers. The exhibition might be held by the Departments of Agriculture and Industries or by local bodies, viz., the district boards or local boards. What is most required to stimulate their development is the infusion of new ideas. Careful and thorough instruction in modern processes should be given by expert inspectors who might tour round the villages. I should also like to suggest the organisation of village artisans on a co-operative basis for purposes of credit, of purchase of raw materials and of marketing. Thereby they will be able to eliminate at least a set of middlemen to whom at present the bulk of their profits go.

(iii) Cotton spinning and weaving by the introduction of charka and handlooms seem to be very suitable for this purpose. Particular groups, might take to other industries, viz., hardware, cutlery, pottery, rope-making, etc., according to their individual tastes. There are also opportunities for the development of a poultry-farming industry. But the possibility of subsidiary occupation depends largely on the location of the village and as a general principle it may be laid down that the chief solution of the problem of the cultivator is intensification or diversification of his agriculture.

(iv) If they form organisation on co-operative principle the difficulty of providing sufficient capital at reasonable rates of interest will disappear. Where special needs exist Government might make advance to the society for the purchase of improved machinery.

(v) The Government can make such contributions through the existing co-operative central banks.

Question 6A. (i) Such industries in the district derive their fixed capital from shareholders and circulating capital out of the share capital as well as credit in the shape of raw materials.

(ii) Industrial banks should be started at suitable centres which should advance money at a reasonable low rate of interest.

Question 6B. (i) Mahajans often lend to them but at high rates of interest. Fishermen and small traders fare no better than middle-class gentlemen and service-holders are no doubt in a better position but there are only the mahajans to lend to them and the rates of interest are very high.

(ii) Medical expenses, ordinary necessities of life, trade purposes and occasionally for marriage and *sradh* ceremonies.

The rate of interest varies between 12 per cent. in the case of secured loans and 24 to 37½ per cent. in the case of unsecured loans.

(iii) They are helping very little.

In my opinion the best method would be the institution of co-operative societies among the persons themselves. Co-operative central banks are unwilling to finance societies among the landless classes and if they cannot be made to dispense with material security and take a wider view of their responsibilities, I would suggest that the banks among these classes be financed by Government out of the proceeds of a special loan to be floated for the purpose.

(iv) The indebtedness is generally on the increase.

Question 7. (i) Co-operative banks have relations with the Imperial Bank of India. The Provincial Co-operative Bank may take advances of money from the Imperial Bank of India against securities lodged with the bank. The local branches of the Imperial Bank also allow cash credit to the central banks on the guarantee of the Provincial Bank. Co-operative banks have no connection with the indigenous banks except that some of the latter put their surplus funds with co-operative banks.

(iii) It is presumed that what is wanted is the amount of extra capital required for financing the whole of the agricultural population of the district through co-operative societies. The following is a rough estimate. The total indebtedness of the members of co-operative societies affiliated to the Ranaghat and Kushtia Central Banks (for which

figures are available) is Rs. 4,31,701 and Rs. 4,97,473 = Rs. 9,29,174. The number of members of the societies is 7,038 and 4,351 = 11,389. The average indebtedness of a member of a co-operative society is therefore Rs. 81—a member of a co-operative society represents a family. The number of male working agriculturists is 182,374, and female workers 36,106. Assuming that half of the female workers have their husbands also working for the family, the total number of agricultural families in the district is 182,374 and 18,053 = 200,427 or roughly two lakhs.

Applying the average to this number the total indebtedness of the agricultural population comes to Rs. 2,00,000 × Rs. 81 = Rs. 1,62,00,000. The total amount of indebtedness of the members of all the co-operative societies in the district (affiliated to the five central banks) to the societies is Rs. 17,66,278 (figures furnished by the central banks).

The amount of extra capital required would thus be Rs. 1,62,00,000 — Rs. 17,66,278 = Rs. 1,44,33,722.

(iii) By "extra capital required for financing the co-operative movement," I understood the extra capital required for financing as many co-operative societies as would be necessary for replacing all the other existing sources, from which the agricultural population of the district at present obtain their loans, and I included in my figure not only the amount annually required by the agriculturists but also their existing debts, as co-operative societies are expected not only to advance money for cultivation but also for wiping off the existing debts of cultivators.

The following is a rough estimate of the seasonal requirements of the agricultural population for the purpose of agriculture:—

Serial No.	Name of crops.	Area under cultivation.	Cost of production per acre.	Total cost of cultivation.
1	2	3	4	5
		Acres.	Rs.	Rs.
1	Paddy	1,318,602	25	3,29,65,050
2	Fodder crop	2,602	18	46,836
3	Jute	172,443	55	94,84,365
4	Winter pulses	63,305	20	12,66,100
5	Wheat, barley, etc.	31,337	25	7,83,425
6	Mustard and linseed	67,837	20	13,56,740
7	Sugarcane	24,304	225	54,68,400
8	Tobacco	7,485	80	5,98,800
	Total .. ..		....	5,19,69,716

The total cost of cultivation of culturable area in the district is therefore Rs. 5,19,69,716. In view of the fact that a considerable proportion of the area is cultivated either directly by men who do not ordinarily require to borrow for purposes of cultivation, or in bhag under such men, and also of the fact that only a part of the cost of cultivation is actually borrowed by the actual cultivators, who work on their own fields, I think only 20 per cent. of the total cost is actually borrowed. The total amount required for seasonal requirement thus comes to Rs. 1,03,93,943.

The total indebtedness of agriculturists is estimated at Rs. 1,62,00,000. This sum includes the amount borrowed for seasonal requirements. Excluding the latter from the total, we arrive at the long-term loans. The amount would be Rs. 1,62,00,000 - Rs. 1,03,93,943 = Rs. 58,06,057.

(iv) and (v) There is competition between the co-operative banks and joint stock banks in the matter of securing deposits but there is no competition with regard to advancing loans. There is no branch of the Imperial Bank in this district.

(vi) It is desirable that concessions such as exemption from income-tax, stamp duty and registration fees and the provision of facilities for the transfer of the funds at par by means of remittance transfer receipts should be granted to stimulate the growth of co-operative societies. They should be given a refund of the commission on postal money orders when these are employed for remittances between societies. The Royal Commission on Agriculture (1926) also made the above recommendations.

Question 7A. (i) As there is competition with joint stock banks with regard to deposits, it is desirable that depositors should be allowed to borrow to the extent allowed by joint stock banks. The same facilities might be extended to individual members. Thereby more deposits will flow to central banks.

(ii) No.

(iv) Practically there is no relation between them except that joint stock banks sometimes deposit money in co-operative banks.

Question 7B. (i) In areas where co-operative societies have been strongly established private money-lenders are becoming extinct. The practice of charging compound interest has become a thing of the past. On the whole there has been a general lowering of the rate of the interest both on secured and unsecured loans.

(ii) To a very great extent. Roughly about 50 per cent. of the former money-lenders have been replaced. Some concrete instances are available from the Kushtia subdivision. Three-fourths of the amounts advanced by the local money-lenders have been repaid by the borrowers on getting loans from the rural co-operative societies.

(iii) The following are the factors operating against the spread of co-operative banks:—

- (a) Want of education and lack of intense propaganda.
- (b) The hostile attitude of money-lenders and other interested parties.
- (c) Innate conservatism of the people.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) The head office of the Kumarkhali Banking Corporation, Ltd.

(b) Two in Kushtia—(i) The Kumarkhali Banking Corporation and (ii) the Kushtia Loan Office.

(c) At Kumarkhali, the Kumarkhali Banking Corporation, Ltd., Dinanath Kundu & Co., the Kumarkhali Credit Association (joint stock company) and United Trading Company at Khoksa, Jubilee Bank, Ltd., and Khoksa Commercial Bank, Ltd.

Question 2. (a), (b), (c), (d) and (e)—

	Paid up capital.	Reserve fund.	Short term.	Intermediate.	Long term.
	Rs.	Rs.	Rs.	Rs.	Rs.
Kumarkhali Banking Corporation.	19,610	20,391	..	..	..
Kushtia Loan Office ..	20,000	14,023	11,392	39,053	75,530
Khoksha Jubilee Bank ..	29,565	4,670	1,415	21,894	840
Khoksa Commercial Bank	42,625	951	13,821	10,113	..

Question 3.—(i) For short term, rate of interest varies between $3\frac{1}{2}$ and $4\frac{1}{2}$ per cent. per annum.

For intermediate term the rate varies between 5 and $7\frac{1}{2}$ per cent. per annum.

For long period rate goes up to 9 per cent. per annum.

(ii) The period varies from 3 years to 5 years.

Question 4.

	Kumarkhali Banking Corporation.	Khoksa Commercial Bank.	Khoksa Jubilee Bank.	Kushtia Loan Office.
	Rs.	Rs.	Rs.	Rs.
(a) Government and other marketable securities	4,750	1,337	..	Per cent. ..
(b) Loans against immovable properties	2,03,564	13,865	1,587	29
(c) Advances to industrial concern ..	10,000	..	..	..
(d) Loans on personal security ..	87,629	37,850	37 per cent.	35
(e) Jewellery .. ..	..	4,420	10 ..	4
(f) Goods .. ..	..	..	4,067	..

Question 5. (i) Loans are granted for different periods varying from 1 month to 3 years. Rates of interest vary from Re. 1 to Re. 1-9 and in a few cases to Rs. 2 per month according to the nature of mortgage. Money is borrowed for various purposes, e.g., household

expenses, marriage expenses, religious rites, payment of land rent, purchasing new lands, etc.

(i) Compound interest is not charged: --

(ii) Only by the Kushtia Loan Office. One month's interest is realised at the time of granting loans.

(iv) Loans are given for a fixed period. Action is not generally taken in courts before the loans are about to be barred by limitation.

Question 6. (i) Yes, they advance loans to the agriculturists on the security of their lands or on simple bonds.

(ii) No.

Question 7. (i) The Khoksa Jubilee Bank has jotedari with jote lands for Rs. 4,930, i.e., 7·2 per cent. of their resources. No other bank is known to have undertaken any business other than banking.

(ii) Want of capital and want of proper training in banking.

Question 8. (i) Kushtia Loan Office has set apart one-third of the profits as reserve fund.

Khoksa Jubilee Bank contributes 2 to 5 per cent. of the net profit to the reserve fund.

The fund is invested with other funds as working capital.

(ii)

	B. S. 1331.	B. S. 1332.	B. S. 1333.	B. S. 1334.	B. S. 1335.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Kushtia Loan Office ..	15	20	10	10	Nil
Khoksa Jubilee Bank ..	12	12	Nil	15	10
Khoksa Commercial Bank	5	Nil	6	10	7

Question 9. (i) No remarks.

(ii) Yes.

Question 10. It would be a very good thing if it were possible to federate the existing banks into a strong central banking institution.

Question 11. No remarks.

Question 12. There have been some bank failures in the district due to injudicious lending of money by the directors and dishonesty on the part of the secretary.

Part II.—Indigenous Banking.

Question 1. The indigenous bankers in villages and small towns, where modern banking is unknown, give loans on the security of jewellery, or other articles pledged with them, and purchase and sell bullion or ornaments. They finance internal trades and remit funds from one

place to another for their customers and discount the hundis of small dealers. They very often combine trade with banking.

Question 2. To a certain extent these bankers help the agriculturists with loans during the sowing season and realise after the harvests are sold. In this way they finance agriculture. They also have a hand in the movement of the crops from the growing to the consuming districts as they advance loan to the beparies and aratdars. But they seldom finance industry. For they are loath to move out of their accustomed groove and small industries have no charm for them.

Question 3. This business of private money-lending is done by numerous persons of every caste and class in towns and villages all over the country.

(a) It is extremely difficult to estimate the capital invested by them as each keeps the same as a secret to himself. There are petty and big dealers.

(b) Their business extends to all the villages. Each village mahajan has his own circle which comprises his own village and one or two neighbouring ones. The biggest among them meets the banking needs of quite a good number of villages.

(c) Their expenses are extremely meagre. These people are proverbially stingy and they have the knack of managing their business with an awfully small establishment. One or two gomostas are enough for managing a business of some lakhs.

(d) Amongst the indigenous banks there is hardly any system of co-ordination or combining business. Of course, the smaller ones accept loans from the bigger dealers who in their turn obtain occasional assistance from the joint stock banks or the Imperial Bank in the shape of advance on security or otherwise; barring that there is no other relation between them. In villages where a co-operative bank or society has been established it has to face a strenuous competition from the village mahajan.

Question 4. There are several forms of hundis written in a rather uninviting script peculiar to the mahajan class. Of them—

(a) One is used for the purpose of simple remittance.

(b) Another is a kind of on demand draft.

(c) Yet another is a kind of a sight-bill.

Besides the hundis, there are also the simple bonds, promissory notes, mortgage bonds, etc., in use, but these are not negotiable instruments. These latter are used for purposes of simple loans whereas the loans, i.e., hundis are extensively in use in the financing of trade.

It has not been possible to get any sample copy of any of the hundis.

Question 5. (i) Ordinarily they give advance on some security in one shape or another. When the loan is granted on a movable article or ornament the borrower gets a loan to the extent of half the value of the article; when it is immovable property, he obtains a loan to the extent of about two-thirds of the value of the property. They also advance their credit by allowing the producers or smaller dealers to draw on them from time to time till the limit of credit is reached. They also discount the hundis, thus giving credit to the drawee. In

case of simple loans the rate of interest varies from 18 to 37½ per cent. per annum, whereas in the case of discounting hundis 5 to 6 per cent. of discount is accepted. Cash credit is allowed at a higher rate than the secured debts.

(ii) They accept deposits from the people at a certain rate of interest usually lower than that at which they lend. They also borrow from the joint stock banks or other bigger indigenous bankers.

(iii) They generally allow 5 to 6 per cent. interest per annum or more at times when money is stringent.

(iv) During the busy season the hundi-discounting shroffs rediscount those hundis at the presidency banks at the latter's official rate which is 2 or 3 per cent. less than at what they discount them. In the off-season they do not require to go there.

As far as I am aware, the facilities obtaining at present are far from sufficient.

Question 6. (i) Usually the rate varies from 24 to 37½ per cent. per annum for money debts and 50 per cent. per annum for debt in kind but much higher rates of interest are not uncommon.

(ii) The only effective way would be to popularise the co-operative movement among those cultivators, to educate them in order to exert combined influence and to provide for better economic condition among them.

(iii) Simple reduction of the rate of interest will be far from achieving those results. There ought simultaneously to be a good provision for furnishing education to the cultivators. The creation of the "provident habit" is the necessary thing.

Question 7. (i) No, except among a certain class of officials and lawyers who take a special delight in villifying them. They are looked upon as the only saviours at times of distress. They are far less disliked than the joint stock banks which are conducted in an out-landish and official way.

(ii) Yes. They can resort to the law courts whenever necessary.

(iii) But the cost of litigation which these bankers have to incur ultimately falls upon the poor borrowers. Any provision for summary realisation at a less cost will benefit the judgment-debtor.

(iv) They are sound in their own way and observe proper safeguards towards realisation.

(v) But a further check on dishonesty and fraud on either side can be brought about by setting up registration offices more extensively over the province and by lowering the scale of fees for registration.

Question 8. (i) These people are already rendering some service to the community by removing the difficulties that would have arisen owing to the want of banks. Moreover, the villagers also feel more at home with these indigenous bankers who are so to say a growth of the soil. It would be a folly to try to oust them by planting the modern banking institutions broadcast over the country all at once. The more salutary process would be to instil the lessons of modern banking into these people and to educate them to combine into bigger and safer institutions of banking.

(ii) With a view to consolidate their strength, preaching and propaganda are necessary. With the expansion of the co-operative cult

these people can be made to leave off their isolation and once this co-operative movement can enlist their support, the principle can be employed in diverse activities of the community. Large scale sale and supply agencies can be opened, small industrial firms can be established to use the local raw materials, etc., and a better yield is ensured for their unprofitable surplus. These men should be made to understand that combination brings about a decrease in the cost of establishment, less risk of loss, etc. and that on the other hand their money is more safe and will yield a better return.

(iii) Special facilities towards combination can be afforded in the shape of lower rate of income-tax in the case of joint banking firms than in the case of individual bankers.

(iv) At first his attitude must needs be hostile. But gradually he will begin to see that these institutions are no hindrance to his income but the contrary. These institutions will relieve him of the trouble and risk involved in carrying about and secreting bags of rupees. When these are established in agricultural districts it will be to his advantage to use them for remittance, deposit and discounting purposes. He will gradually learn that it is more economical to manage one central bank with a number of branches than many independent smaller banks.

Question 9. After making all those allowances, I think a good fifteen per cent. of profit on his outlay is left to the banker.

Question 10. I believe it is a fact that all the demands for accommodation of the community are not and cannot be met by these independent mahajans. At times they do refuse owing to insufficiency of their working capital. In petty loans the mahajans do not set much store by "securities" for, being co-villagers they entertain quite an intimate and confidential relation towards each other. By consolidation their efficiency will be increased in this direction.

Question 11. (i) The big joint stock banks should to a greater extent attend to accommodating these village banks and should accept properties in the mufassal as security against their advances. With the extension of the habit of using credit instead of cash amongst the people, greater banking facilities will be needed, numerous competitors will appear in the field and the village rate will respond to the rate obtaining in the central money market. So it is the case even now. During the height of the busy season, when money is stringent the rate at which hundis are discounted usually follows closely the official bank rate of discount.

(ii) A branch of a joint stock bank or a branch of a central reserve bank will be the more efficient from the point of view of economy but a local bank with a local directorate will be preferable as the latter will be better informed of the particular needs of the locality and moreover as it will foster the necessary spirit and training.

(iii) The indigenous bankers or at least a selected few from among them will be enlisted in the board of directors—thereby both the purposes will be served.

(iv) At first there must be some competition of a sort—but gradually with the restoration of confidence that will be gone and they will change to be the helpful allies of these banks. Vide in this connection answer to question 8 (iv).

Question 12. (i) These bankers are extremely cautious people and they think thrice before they agree to a particular transaction. Due to their over-cautious nature, a part of their capital is left unemployed. But the proportion of this unemployed capital is very small during the busy season. But taken collectively, the amount thus unemployed would be considerable.

(ii) No. The habit of investing capital in a distant district is not very popular with these village money-lenders.

(iii) Vide answers to question 8 (i), (ii), (iii) and (iv).

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) (a) Shares.

(b) Deposits.

(c) Advances from provincial banks and central institutions.

(ii) Vide answer to question 7 (iii), Section II.

(iii) The following are the means in existence for encouraging saving:—

(a) Post office savings banks.

(b) Postal cash certificates and Government securities.

(c) Co-operative credit societies and banks.

(iv) No.

(v) Yes, more co-operative societies may be opened. Establishment of post offices with savings banks and opening of savings banks in existing post offices where they are non-existent will be helpful.

(vi) Most people do not and cannot invest in gold or silver because they have hardly anything left to invest. Those, who can afford, do invest in the form of gold or silver ornaments only. The story of India possessing a mine of hoarded wealth in silver and gold is a myth.

Question 2. (i) Yes, they are. To make them more popular the rate of interest should be increased. Besides there should be greater publicity.

(ii) The existing terms of issue need not require any change, only the rate of interest may be raised.

(iii) Yes.

(iv) Mostly middle-class people resort to such forms of investment.

(v) Rate of interest may be raised.

(vi) I don't think the joint stock banks suffer much from this alleged competition. The attraction for the greater safety is counter-balanced by the lower rate of interest offered by the Government.

Question 3. (i) No remarks.

(ii) There are no such facilities in this district.

(iii) Common cultivators seldom deposit their money in any bank. They keep it at home in boxes if they have any, sometimes buried under the floors and sometimes in earthen pots. Middle-class people often deposit their money in postal savings banks but mostly keep it at home. The money is spent in paying rents to zamindars, debts to

mahajans and purchasing the ordinary necessities of life from time to time.

(iv) The farmers at times lend petty amounts to their fellow-agriculturists at nominal interests and often without interest. They are so heavily in debt that they have hardly anything left after paying their creditors even in a prosperous year. Any surplus left over after paying the zamindar and the mahajan is invested in acquiring new lands.

Question 4. (i) No growth of this habit is perceptible among the masses. It is gaining ground among the affluent classes.

(ii) None that is perceptible.

(iii) Lawyers, officials and merchants. The payment of Government servants and bank employees above Rs. 100 by cheques is a good idea because it will lead to their opening accounts with banks.

(iv) The use of vernacular scripts in banking will be of advantage.

Question 5. (i) Yes.

(ii) Mainly, to want of education and facilities and lack of surplus capital and innate conservatism of the people and possibly also to frequent bank failures resulting in loss of confidence of the people in the stability of banks.

(iii) Propaganda is the only way. It may be conveniently done by all touring officers, e.g., circle officers, co-operative inspectors, agricultural officers and others.

(iv) To a certain extent it has fostered the growth of capital and helped trade and industry by placing capital at their disposal and affording facilities for the transmission of money.

5.

**Mr. J. M. Chatterjee, Senior Deputy Collector, Berhampore
(Murshidabad district).**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) Agriculturists in this district obtain finance during cultivation from local mahajans generally by mortgaging lands and sometimes on simple bonds.

(b) From local mahajans and co-operative societies where they exist, but money is seldom spent on such improvements.

(c) From agricultural loans advanced by Government, from local mahajans or by sale of a portion of his property. If he fails to secure money in any of these ways he borrows money on unusually high interest from Kabulis.

(ii) The rates of interest vary in different parts of this district and under different circumstances according to the nature of security and amount borrowed. A lower rate of interest is usually charged on good security and large amounts. Eighteen to 37½ per cent. per annum is the rate of interest generally charged by the mahajans. The security given and accepted consists usually of landed property or ornaments. Loans taken during cultivation are on condition of repayment after

the harvest. Standing crops are not mortgaged but dealers in vegetables sometimes purchase the standing crops before they are gathered in.

It is customary with agriculturists in some parts of this district to take grain loans from local mahajans during cultivation and to repay it, after the harvest, in full with 50 per cent. interest in grain. This system is commonly known as "baree."

It is difficult to give a correct estimate of secured and unsecured loans to agriculturists. It can roughly be estimated at 70 and 30 per cent. respectively.

(iii) Government plays no part in agricultural finance except on occasions of scarcity when agricultural loans are advanced at a low rate of interest.

The Imperial Bank of India has no branches and there are no joint-stock banks in this district. Co-operative banks exist but they are open only to the members. Their number is too small for the needs of agriculturists.

The mainstay of the agriculturist are the professional money-lenders and zemindars who advance loans in grain. Companies dealing in fertilisers, etc., have not yet spread their activities in advancing articles on credit to the agriculturist in this district.

(iv) It is not possible to make any estimate worth having without making detailed enquiries involving a good deal of time and labour. The estimates of the Subdivisional Officers which are no better than guesswork, vary between 15 or 20 lakhs to a crore for each subdivision or nearly two crores for the district.

(v) The defects are many. The main defect is the high rate of interest that has to be paid to the mahajans in the absence of adequate credit facilities. Establishment of co-operative banks in larger numbers—one, if possible, in every village—with large resources is the principal remedy. But a good deal of propaganda work is necessary to create the conditions essential for successful working of the banks. A more widespread education will enable agriculturists to take greater advantage than they can do now of the results of agricultural research in increasing the outturn of crops by intensive cultivation; it may also make it possible for them to pool their resources and devise means to prevent failure of crops owing to uneven distribution of rainfall, and generally to combine for the purpose of cheapening the cost of agriculture by use of labour saving devices. Propaganda is also necessary to raise the tone and standard of living while creating a sense of thrift among them.

(vi) There is at present no co-ordination except between Government and the co-operative banks.

Question 2. (i) The principal crops in this district are winter paddy and "chaitalis." The mahajans who finance the agriculturist in times of need have the first claim on the crops soon after they are harvested. Dalals from various important centres of business resort to villages at this time to make house to house purchases. The more solvent among agriculturists who are able to hold on for sometime send their crop by means of carts to the subdivisional or district headquarters where they get a better price and a ready market.

Most of them are unable to hold up their crops due to pressure brought upon them by the mahajans and merchants and zemindars to whom they are perpetually in debt and also to the necessity of meeting their own wants or for paying for things they have already got on credit.

(ii) Pools and co-operative efforts have a chance of being successful here.

(iii) One society has recently been started at Beldanga in the Sadar subdivision for the sale of jute only at present. The society is managed by an executive committee. There is a paid manager who looks after sale and purchase of jute under the Registrar, Co-operative Societies. The Sale and Supply Society obtains finance by selling shares among the people of the Sadar subdivision and members of co-operative societies. The Central Co-operative Bank advances money on the shares actually sold up to a certain limit. The first effort of the society will be to induce the people to believe in its utility and to sell as many shares as possible. In that case there would be no difficulty about finance.

(iv) There are at present no credit facilities during marketing and the agriculturist has to sell when the price is the lowest. Co-operative sale societies could help him in getting more than he now does at a market unfavourable to him by buying up his produce and letting him share in the profits when it is sold at a more favourable market.

(v) No.

(vi) (a) and (b) Export and import trades to and from ports are generally carried on by big merchants who have firms in Calcutta through their agents.

(vi) (a) The cultivators have nothing to do with the import and export trade. It is done by big merchants having firms in Calcutta through their agents or other middlemen. They have no difficulty in financing the business.

(b) There is perhaps some truth behind the suggestion, but no facts or figures are available.

If middlemen can be replaced by co-operative purchase and sale societies as liaison bodies between exporters and growers, the latter may get a better return. The exporters will in that case be careful to avoid indulging in speculation in the confidence that they can command the market.

(vii) There is no apparent lack of banking facilities.

(viii) The existing facilities for internal remittance available to the public consist mainly of postal money-orders. In rare cases, hundis or cheques are used.

(ix) In the present circumstances there is little room for improvement in the facilities for internal remittance in this district. With numerous co-operative societies spread all over the district, cheques or drafts may provide for greater facilities in this direction.

(x) So far as is known, negotiable instruments do not play any large part in the internal trade of the district except in large centres of trade.

(xi) No.

(xii) Hundis in use in this district are either payable on presentation or within a fixed period.

(xiii) Standardised forms would be useful.

Question 3. (i) The value of the lands per acre varies from Rs. 100 to Rs. 600 according to the nature of the lands. The value depends largely upon the yield of lands.

Paddy lands are sold for Rs. 150 to Rs. 450 per acre according to their quality and dofasli sugarcane and mulberry lands at Rs. 300 to Rs. 600 per acre.

(ii) (a), (b) and (c) The above value applies to sales by private negotiations. In Government auction sales and court sales the lands do not fetch the proper value. In revenue sales and in sales by court in execution of decrees there is always a reluctance to offer any value much in excess of the demand and it is only in cases of competition among rival purchasers that a fair value is obtained.

In sales by private negotiation, values are affected by the circumstances of the seller and his ability to wait and command a reasonable price.

Question 4. (i) No.

(ii) The new section 26G of the Bengal Tenancy Act has limited the raiyat's right regarding usufructuary mortgages. It is too early yet to say how this will influence the credit of agriculturists.

(iii) There are no long-term credit institutions except the co-operative banks. The smallness and fragmentation of the agricultural holdings stand in the way of establishing these banks as the security of the men who are to run the banks is often inadequate.

(iv) None in the district.

(v) Does not arise.

(vi) Land mortgage banks either on co-operative principles or financed by Exchange banks would meet the situation.

(vii) (a) No. Settlement records are sufficient for the purpose.

(b) No.

(c) The Secretary or the Manager of the land mortgage bank should be allowed to make reference to the Settlement Record Room free of cost.

(viii) (a), (b) and (c) The working capital may be derived largely from central institutions and also from deposits and debenture bonds, where there are solvent parties willing to invest capital in them.

(ix) Opinion is divided in this matter. It is better for the debenture loans not to carry Government guarantee for either principal or interest. The banks will in that case try to be self-reliant.

(x) Does not arise. Vide answer to (ix).

(xi) With Government guarantee money may be raised at six to seven per cent. interest and lent out at 12 to 15 per cent. Without Government guarantee the interest must be higher, i.e., about 8 to 10 per cent.

(xii) Vide answer to (ix).

(xiii) Nil.

Question 5. (i) No. It is not possible to get an approximate estimate without a detailed enquiry.

(ii) The estimate can be obtained approximately from the statistics of sub-registry offices and by enquiries during census.

(iii) (a) and (b) No reply is necessary.

(iv) (a) to (i) A detailed enquiry is necessary. Debts are generally incurred for items mentioned in (a), (b), (c) and (d) and occasionally in (e), (f) and (g).

(v) These debts are due mostly to professional money-lenders and to a very limited extent to co-operative societies.

(vi) The agricultural indebtedness is increasing specially owing to occasional failure of crops.

(vii) The Land Improvements Loans Act of 1883 and the Agriculturists' Loans Act of 1884 meet but little or none of the needs of the agriculturists except in years of scarcity and in cases of extreme necessity and stringency.

(viii) No; the measures already provided are sufficient but the amounts available cannot touch even a small fraction of the chronic needs of the agriculturists.

(ix) Itinerant money-lenders, such as Kabulis, are sufficiently numerous in some parts of the district. They are growing in number every year. Their method of work is to advance money on hand-notes to agriculturists and labouring classes at a very high rate of interest usually two annas per rupee per month, i.e., 150 per cent. per annum. These loans are generally small and for short periods. They realise their dues with firmness and rigidity.

(x) No such instance has come to my personal notice.

(xi) The Civil Court can give an idea of the extent to which the Usurious Loans Act is availed of generally, but the needy people are in such chronic want that despite all that they suffer from their mahajans they cling to them and submit to their demands in order to be in good terms with them. They cannot afford to alienate them by contesting their claims in courts.

Provision of greater facilities for credit by establishment of co-operative banks is one of the measures which might help agriculturists to contest numerous demands.

(xii) No such standard rate.

(xiii) No specific instance can be given. It is believed that cases are not uncommon in which the debtor is made to sign a fresh bond showing the principal plus the interest on it or to take a smaller amount than that mentioned in the bond, the difference being taken as advance interest.

(xiv) Formation of rural co-operative societies and establishment of dharma-golas or grain banks financed by these societies may help the raiyats in getting paddy and seeds easily at sowing time. The Agricultural Department may help in the establishment and management of these golas.

(xv) Fifty per cent. repayable at next harvest.

(xvi) Rates of interest on cash vary between 18 and 37½ per cent. according to the nature of the security. Compound interest is not generally charged unless there is a stipulation to that effect. The interest is calculated monthly. If repayment is not made amicably the protection of the court is sought.

(xvii) There are not many such instances in this district.

(xviii) Not very marked.

Question 6. (i) Except one or two rice mills at Cossimbazar, there is no other subsidiary industry in the Sadar subdivision. In the Jangipur subdivision there is an extensive lac cultivation. In the Lalbagh and Kandi subdivisions there are no subsidiary industries allied or supplemental to agriculture except gur-making, hand-spinning, cultivation of mulberry, rearing of silk cocoons and growing garden-produce on a small scale.

(ii) Financial facilities and co-operative sale societies may help these small industries.

(iii) Establishment of cotton industries, spinning of jute and cocoanut fibres, hemp, basket-making and wicker work and any other local industry may help the people to supplement their income by labour at all seasons: but they are usually so lazy that they would rather starve than take to any occupation to earn some extra money. Prevalence of malaria probably accounts for this lethargy to a certain extent.

(iv) and (v) Establishment of co-operative banks.

Question 6A. (i) There are few such small industries here.

By funds borrowed from mahajans and to a limited extent by credit on mutual confidence.

(ii) By bank credits.

Question 6B. (i) Day labourers get loan on credit of future service and others on their personal credit from local money-lenders.

(ii) Purposes are various—

(a) Repayment of previous debts.

(b) Marriage or funeral ceremonies or other social occasions.

(c) Litigation.

(d) Famine and other kinds of calamity.

(e) Payment of land revenue or rent.

(f) Purchase of land or cattle.

(g) Family expenses in hard times.

(h) House buildings and repairs.

(i) Improvement of lands and fisheries.

The only difference between secured and unsecured loans is in the rate of interest which is generally higher in the latter case.

There is no joint-stock bank or indigenous bank. The Government helps them in times of extreme necessity.

(iii) There is only a very limited number of co-operative banks. They are of real help to them. But their number ought to increase to provide greater facilities to them.

(iv) It is on the increase.

Question 7. (i) The local co-operative banks have no connection with other banks, there being no rival banks in the district.

(ii) There is this obvious difficulty, viz., the inability of the debtors to pay off their debts within the stipulated time. This hampers the work of the co-operative banks which have limited resources.

(iii) It is difficult to make an approximate estimate. The capital required would depend upon the normal indebtedness of the population

which cannot be calculated with any accuracy without elaborate enquiries. The estimates given by the Subdivisional Officers amount to over 26 lakhs, but this is mere guesswork.

(iv) and (v) No.

(vi) The granting of the concessions mentioned in the question is likely to stimulate the growth of the co-operative movement.

Question 7A. (i) No. Central banks had better be content with financing rural societies which function in areas where this problem of indebtedness is more acute than at the headquarters of central banks.

(ii) Yes; provided there are sufficient safeguards against loss of capital.

(iii) There are no joint-stock banks here: inter-lending between co-operative societies and joint-stock banks may be desirable if security is sound.

(iv) Vide answer to (iii), there are no banks here.

(v) The co-operative central banks are not in a position now to undertake the work unless the provisions of the Co-operative Societies Act are amended for the purpose.

Question 7B. (i) No appreciable effect has been noticed on the prevailing rates of interest by the establishment of co-operative societies in rural areas as they are few in number and their resources are quite inadequate to meet actual needs.

(ii) Not to any appreciable extent. No concrete instance can be cited.

(iii) Illiteracy among the masses, shortness of the funds of the co-operative societies, never-ending liability of agriculturists to the mahajans and joint and several liabilities of the members under the Co-operative Societies Act.

Part 1A.—Loan Offices and Joint-stock Banks in the Mufassal.

Question 1. (a), (b) and (c) There is only one bank named the Berhampore Bank, Limited, situated at the district headquarters.

Question 2. (a) to (c) Not known.

Question 3. (i) From five to seven and half per cent.

(ii) From three to five years.

Question 4. (a) to (f) Not known.

Question 5. (i) There is no fixed period for which loans are granted. They are granted for various purposes and no standard has been fixed. The rate of interest charged varies from 12 to 15 per cent.

(ii) Generally, compound interest is charged if the loan is not repaid within the fixed time and the interest so accrued is added to the principal.

(iii) No.

(iv) Loans are given for a fixed period in the majority of cases and legal steps are taken when the loan is about to be time-barred.

Question 6. (i) Yes, on mortgage deeds.

(ii) I doubt if such institutions can serve the interest of agriculturists better as their resources are very limited and they do not lend money to cultivators except on approved and good securities.

Question 7. (i) Not known.

(ii) Lack of sufficient money, want of enterprise and reluctance to advance money when there is an element of risk.

Question 8. (i) and (ii) Not known.

Question 9. (i) Not known.

(ii) Yes.

Question 10. Extremely desirable.

Question 11. No suggestion.

Question 12. No.

Part II.—Indigenous Banking.

Questions 1 to 12. There is no indigenous bank in this district.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) The existing banking resources in this district besides the co-operative banks and the Berhampur Bank, Limited, are the savings of middle class people and the capital invested by mahajans.

(ii) No.

(iii) The means or institutions for encouraging savings and investment habit are—

(a) Post Office Savings Banks and Cash Certificates.

(b) Government securities and Provident Fund.

(c) Co-operative and other Banks.

(d) Purchase of shares, etc.

(e) Money-lending business.

(f) Purchasing lands with surplus money.

(iv) Yes.

(v) Yes, by means of propaganda work and by educating people to cultivate the habit of thrift, and extension of Post Office Savings Banks.

(vi) Nothing in particular except that savings of well-to-do middle class people are occasionally invested in ornaments for the ladies of the household.

Question 2. (i) Yes, to some extent. The Cash Certificates can be made more popular by increasing the rate of interest and by reducing the period after which repayment can be made with interest from one year to three months.

(ii) Yes.

(iii) Yes, but generally to middle class people.

(iv) Generally middle class people.

(v) Higher rate of interest will perhaps attract the landlord and mahajan class. Illiterate people can be attracted by propaganda work and by distributing leaflets for the purpose.

(vi) There is no competition of the kind. Those who look for sound security purchase Cash Certificates and those who look for more interest deposit their money in co-operative banks.

Question 3. (i) Nothing in particular. Government securities attract but a few. The time is yet far off when small agriculturists will take up Government securities. The reason why poor people and women fight shy of them is deduction of income-tax at the source. Refunds are rather difficult for them to get.

(ii) None in use in this district.

(iii) The moneys that come into the hands of middle class people or agriculturists by sale of produce or through any other cause are mostly spent in repayment of earlier debts, payment of rents and in meeting ordinary necessities of life and also in litigation. Those who can afford to save something invest the same in purchasing lands or in lending on interest.

(iv) Yes. The farmers lend money or paddy to fellow-agriculturists on interest varying from 12 to 50 per cent. Paddy is lent generally on condition of repayment at the next harvest.

In prosperous years they invest surplus money in purchasing lands, cattle, etc.

Question 4. (i) The cheque system is unknown to many people in this district. The cheques are used only by local bodies, moneyed men and big merchants who have transaction with bank.

(ii) Nothing in particular in this district.

(iii) Cheques are used by local bodies, moneyed men and big merchants as stated above in answer to Question 4 (i). It would be desirable to promote the cheque habit by payment of dues above Rs. 200 by cheque but this is possible only where there are banks or agencies to cash cheques.

(iv) No.

Question 5. (i) The banking habit is of slow growth; the habit of investment in some shape or other was always there but resources have dwindled and the average raiyat has not much to invest.

(ii) Want of banking facilities and education and also low economic condition of the people generally.

(iii) Capital, where available, is shy of undertakings which do not carry any Government guarantee, because of a want of confidence, due to various causes, in the promoters of such undertaking. Propaganda by Government is likely to overcome this shyness if the undertakings can be demonstrated to be productive and profitable.

(iv) No branch of the Imperial Bank of India has been opened in this district. But I think the opening of its branches at other places has produced a good result.

6.

Mr. D. L. Dey, Sadar Subdivisional Officer, Berhampore.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) The Agriculturist obtains finance for expenses during cultivation by borrowing money from local mahajans.

(b) Nothing is usually spent on this head for lack of money and want of initiative.

(c) In case of failure of monsoon or of flood, when there is scarcity, Government generally advance loans to the cultivators under the Agriculturists' Loans Act. In other cases, the cultivators resort to local mahajans for money.

(ii) The rates of interest vary in different parts of this subdivision and under different circumstances; usually it is 2 pice per rupee per month. When there was a failure of crops in 1927-28, the rate charged was one anna per rupee per month. The period for which loans are taken is generally between one agricultural season and another. Generally, mortgage of lands and homestead is accepted as security for such loans.

Unsecured loans are rarely given. The percentages of secured and unsecured loans are respectively, roughly speaking, 70 per cent. and 30 per cent. in this subdivision.

(iii) No other organisations except rural co-operative banks, professional money-lenders and dealers play any part in agricultural finance. The members of rural co-operative banks take loan before the commencement of the agricultural season from these banks. Rate of interest for such loans is 12½ per cent. Professional money-lenders advance loans on mortgages. Dealers generally give advances (*Dadan*) to cultivators, the stipulation being that the produce of the lands will be sold to such dealers at a fixed rate. These dealers also charge interest on these advances but the rate is lower than in the case of professional money-lenders. Cultivators, however, prefer the money-lenders to these dealers because they do not want to sell their product at a fixed price.

(iv) Roughly speaking, about 15 to 20 lakhs of rupees will be required for agricultural improvements and to eliminate professional money-lenders in my subdivision.

(v) There are various defects. In my opinion the crying need is to eliminate the professional money-lenders and to augment the funds of rural co-operative banks and to establish such banks in large numbers. In the present state of things rural banks do not advance loans to non-members. Thus the persons who are too poor to become members do not get any help from these banks. Some system of financial aid should be devised for the very poorest.

(vi) There is at present no co-ordination.

Question 2.—(i) *Farias* (middlemen) and *Dalals* go to villages when a crop is harvested and purchase the crop at a low rate. Those that have taken *Dadans* sell it to their mahajans. Others take it to the principal markets of the subdivision for selling their produce.

The cultivators are unable to hold up their crops for a better price. The principal reason for this is lack of money. As soon as a crop is

harvested, the gomasta, the mahajan, money-lenders all put pressure on the cultivators to pay up their dues and it is thus impossible for cultivators to wait for better opportunities.

(ii) Co-operative effort is sure to play an important part in marketing produce.

(iii) A Jute Sale and Supply Society on co-operative principle has recently been started at Beldanga. The present intention is to deal in jute only, but as soon as funds permit it will deal in other produces, i.e., in paddy and rabi crops. The present Sale and Supply Society at Beldanga is managed by an executive committee, of which the Maharaja of Cossimbazar is the Chairman and the Sadar Subdivisional Officer is the Deputy Chairman, others being non-officials. There is a paid Manager who looks after the sale and purchase of jute under the Registrar of Co-operative Societies. The Sale and Supply Society obtains finance by selling shares among the people of this subdivision and members of co-operative societies. The Central Co-operative Bank advances money on the shares actually sold, up to a certain limit. Our first effort will be to induce the people to believe in the utility of these sale and supply societies and to sell as many shares as possible. In that case there will be no difficulty about finance.

(iv) There are at present no credit facilities. I am of opinion unless Joint Stock Banks agree to give credit, nothing can be done.

(v) (a) and (b) Generally, the merchants who purchase the produce locally sell it to Calcutta firms. Other merchants bring the things required in villages from Calcutta and sell it to shopkeepers in villages. Marwari merchants, who have firms in Calcutta, have the import and export business of this subdivision under control.

(vi) (a) The local cultivators have no hand in the import and export trade. It is done by Marwari merchants having firms in Calcutta.

(vi) (b) Formation of co-operative sale and supply societies is desirable.

(vii) I am of opinion that the lack of banking facilities is due entirely to a short sighted policy and indifference to the importance of improving the welfare of the actual cultivator by Joint Stock Banks in India.

(viii) Almost nil.

(ix) As previously stated in reply to Question 2 (iv), I do not think that in spite of the co-operative credit movement there can be any very great improvement in the condition of the actual cultivators unless the Imperial Bank of India and other large Banks are prepared to finance Indian agriculture either directly or through subordinate organisations.

(x) to (xx) I have not been able to gather sufficient details to answer these questions adequately.

Question 3. (i) The value of lands per acre varies from Rs. 100 to Rs. 200 in this subdivision.

(ii) Low fertility and lack of irrigation facilities are the principal causes for the low value of the lands—

(a) Rs. 100 per acre.

(b) Rs. 100 per acre.

(c) Rs. 100 to Rs. 200 per acre.

Question 4. (i) No.

(ii) No change is noticeable.

(iii) Very largely—as obviously fractional holdings are inadequate security.

(iv) No.

(v) Mortgage banks on co-operative principles would meet the situation.

(vi) (a) No.

(vii) (b) No.

(viii) (c) No.

(ix) Working capital of proposed mortgage banks should be derived largely from central institutions.

(x) No.

(xi) Yes.

(xii) No other suggestion.

Question 5. (i) No.

(ii) The estimate can be obtained with reasonable accuracy if steps are taken during the coming census operation.

(v) The debt is largely due to professional money-lenders.

(vi) It is increasing.

(vii) During the time of distress, Government generally advances Agricultural loans and Land Improvement loans.

(viii) Present measures are sufficiently prompt.

(ix) Recently Kabulis are coming in large numbers to the villages. They advance money on handnotes and the rate charged is as high as 2 annas in the rupee per month. Sometimes, generally they advance money for short periods.

(x) No.

(xi) Not to any appreciable extent.

(xii) It is just possible.

(xiii) Formation of rural co-operative societies.

(xiv) For one *Bis* of paddy, the cultivator has to pay $1\frac{1}{2}$ *Bis* in the next year.

(xv) If paddy loans are not paid up within the stipulated time, then a promote or other document on the basis of the money value of the paddy stipulated is executed.

(xvi) Yes.

(xvii) Yes.

Question 6. (i) Except one or two rice mills in the town at Cossimbazar, there is no other subsidiary industry anywhere.

(ii) The formation of subsidiary industries is only possible through education and propaganda.

(iii) The establishment of cottage industries.

(iv) It is impossible to raise capital locally in villages. Banks generally must take up the financing of those industries.

(v) Exchange Banks.

Question 6A. (i) There are no such small industries in this subdivision.

Question 7. (i) There is no co-operation at present.

(ii) The obvious difficulty is the inability of the debtors to pay up their debts within the stipulated time.

(iii) About 5 to 6 lakhs of rupees in a rough estimate for this subdivision.

(iv) None.

(v) The granting of such financial concession to stimulate the growth of the co-operative movement is desirable.

Question 7A. (i) Yes, on approved securities.

(ii) Yes.

(iii) Yes.

(iv) None at present—and this is a most undesirable state of things.

(v) The law will have to be amended before the central co-operative banks take up work of this nature.

Question 7B. (i) No appreciable effect, as the funds laid out by co-operative credit societies are not sufficiently large for the needs of this subdivision.

(ii) Very little.

(iii) Dearth of Funds.

Part 1A.—Loan Offices and Joint-stock Banks in the Mufassal.

Question 1. (a) and (b) Berhampore Bank, Limited.

(c) None in the Sadar Subdivision.

Question 3. (i) From 5 per cent. to 7½ per cent.

(ii) From 3 to 5 years.

Question 5. (i) Periods for which loans are given are not fixed. Loans are taken for various purposes and there is no standard fixed for the granting of such loans. The only criterion is that the persons taking the loans are solvent and suitable security is given.

(ii) Generally compound interest is charged if the loan is not repaid within the fixed time. In that case the interest accrued so far is added to the principal.

(iii) No.

(iv) In the majority of cases, a time is fixed for repayment of the loans. Help of the Civil Court is taken if the loan becomes overdue and the security or handnote is going to be time-barred.

Question 6. (i) These institutions lend money to agriculturists only on mortgages.

(ii) Little purpose can be served by these Banks as they are not willing to lend money to cultivators except on approved and good securities, which the majority of them are unable to furnish.

Question 7. (i) These institutions sometimes advance money to traders and shopkeepers to clear their bills.

(ii) Lack of sufficient money, want of enterprise and reluctance to advance money when there is an element of risk.

Question 9. (ii) Yes.

Question 10. Extremely desirable.

Question 12. No.

Part II.—Indigenous Banking.

There are no indigenous banks in existence in Sadar Subdivision.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) Co-operative Bank and Berhampore Loan Office. There are no other banks in this subdivision.

(iii) Postal Savings Banks and Co-operative Banks, Government Securities and various Stocks and Shares.

(iv) and (v) Yes, but it is extremely desirable to revert to the former rate of interest, namely, 6 per cent. for Postal Cash Certificates, which will be very popular in that case. Propaganda and mass education are necessary to stimulate the habit of thrift among the cultivators. Three or 4 years ago, when the cultivators got very good price for jute, which sold at Rs. 18 to Rs. 22 per maund, they amassed a decent surplus in many cases after paying off their dues, but instead of investing the surplus for rainy days, they spent it in buying cheap luxuries. In normal years, the cultivators hardly have any surplus, after paying their dues, for investment. In bad years, they are involved in large debts.

(vi) With the introduction of banking facilities, people do not hoard gold or silver except by preparing ornaments which is not on a very extravagant scale. The people are also averse to hoarding owing to fear of dacoits.

Question 2. (i) and (ii) At present not very popular, as the interest is low. The rate of interest may be raised to 6 per cent. to make it popular again.

(iii) Yes, but the rate for deposits require change.

(v) The middle classes. Raising the rate of interest.

Question 3. (i) Under the present circumstances, it is impossible for small agriculturists to invest any money in Government security.

(ii) None in use here.

(iii) As I have already stated in reply to question 1.

(iv and v) The ordinary cultivators hardly have any surplus for investment after meeting their dues. Those that are fortunate, and their number is almost limited, invest the surplus money in buying lands or in money-lending business. This also refers to the middle classes generally.

(v) The farmers are hardly in a position to lend to fellow agriculturists. For prosperous years, please see my reply to question 1 (iv and v).

Question 4. (i and ii) The cheque habit is being more and more popular every day, particularly as since last year cheques need not any longer be stamped.

(iii) Rich people and merchants and traders. Not necessary.

(iv) Not necessary, as it will complicate matters.

Question 5. (i) Yes.

(ii) Want of banking facilities and education.

(iii) Propaganda and education.

(iv) There is no branch of the Imperial Bank in this district.

7.

Khan Bahadur Maulvi Abu Ali Muhammad Chaudhuri, Subdivisional Officer, Kandi, district Murshidabad.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a), (b) and (c) Generally the agriculturist class of the Kandi subdivision have to look to the local mahajans for obtaining finance for the purposes mentioned in the question. Sometimes the Government issues agricultural loans in the years of scarcity. And a limited percentage is financed by the Co-operative Societies.

(ii) With the mahajans the rate of interest generally varies from 18 per cent. per annum to 37½ per cent. per annum according to the nature of the security offered and the amount of the loan taken—good security and big amount carrying smaller rates of interest. No special attention is paid to the length of time for which the loans are taken at the time of issuing loans. It generally depends upon the good feeling between the parties and the nature of security. In rare cases interest in excess of 37½ per cent. per annum is charged. The nature of securities given and accepted is also different—landed property and ornaments being the chief among them, and in some cases standing crop and other moveable properties. To solvent parties loans are also advanced on promissory notes without any security.

In cases of Government agricultural loans it has been seen that loans are advanced to agriculturists at an interest of 6½ per cent. per annum without any security but adopting a procedure very similar to the unlimited liability of Co-operative Rural Societies.

Co-operative Rural Societies advance to its members only at an interest of 12½ per cent. per annum on loans for one year and 15 per cent. per annum on loans for 3 years.

It is difficult to ascertain the percentages of secured and unsecured loans but the percentage of the latter to agriculturists of this subdivision can be said to be negligible.

(iii) Government plays little or no part in agricultural finance, its advances being made on special occasions like scarcity.

Imperial Bank of India, Joint Stock Banks, Indigenous Banks and bankers.—There are no such institutions in this subdivision.

Co-operative Banks advance loans generally at the time of cultivation and the part played by them is not inconsiderable though limited to the members only.

Professional money-lenders.—There is no distinct class of professional money-lenders in this subdivision. But there are people who invest their surplus savings and are the mainstay of the people outside the co-operative movement. In cases of necessity the members of Co-operative Societies also have to look to them for finance.

Merchants and dealers carry on money-lending business along with their own business.

Organisations, e.g., companies dealing in fertilisers play no part here.

(iv) Not possible.

(v) Excepting Co-operative Banks there is no regular system of financing agriculture in this Subdivision but this is limited to the members only. Extensive capital may remedy this defect.

(vi) No such co-ordination exists.

Question 2.—(i) Winter rice is the principal crop of this subdivision.

(1) In unhusked state it is purchased by the buyers by sending agents to the agriculturists. (2) A portion is sold by the agriculturists to the neighbouring mill owners.

In its husked state that is when made into rice by the agriculturists themselves, they are sent to the marts of the subdivisional and the district headquarters and also to other important trade centres where they get a ready market. This is the main way of disposing of the crop.

The economic condition of the agriculturists oftentime forces them to sell off generally at the disadvantageous market. They cannot hold up their crop for better price.

(ii) There is much scope here of forming pools and co-operative efforts for marketing the produce.

(iii) to (vii) These questions do not apply in this subdivision.

(viii) Excepting the postal remittance there is no other facility for internal remittance available to the public.

(ix) This question does not arise.

(x) to (xx) These questions do not apply.

Question 3.—(i) Subdivision Kandi.

Paddy lands Rs. 150 to Rs. 450 per acre according to the quality of lands.

Lands yielding aus paddy and rabi crops, etc., Rs. 300 to Rs. 600 per acre.

Sugarcane, mulberry lands Rs. 300 to Rs. 600 per acre.

(ii) (a), (b) and (c) The above values are obtainable in private negotiations. The value of the crops determines the value of lands. The lands do not fetch their proper value in Government auction sales and Courts sales for want of bidders. In revenue sales and in sales by Court decrees the bidders seldom bid more than 10 to 15 times the gross assets of the property. In purchases by private negotiation the price goes up to 20 times the assets according to the nature and circumstance of the property.

Question 4.—(i) and (ii) There is no other legal impediment, to our knowledge, to mortgage of lands and agricultural holdings excepting

the new section 26G of the Bengal Tenancy Act which has limited the raiyats' right to give usufructuary mortgage in lieu of interest and also usufructuary mortgage for indefinite period. This also has affected the credit of agriculturists.

(iii) The smallness and fragmentation of agricultural holdings have not as yet stood in the way of raising funds in this subdivision and it is hoped that they may not stand in the way of establishing long term credit institutions.

(iv) There is no such long term credit institutions in this subdivision.

(v) Does not arise.

(vi) The local people are generally averse to disclose their indebtedness to persons other than those whom they know life-long. They are also unwilling to go to any sort of banking firms for borrowing money. It was also seen during famine and scarcity time that people prefer to go to local mahajans for loans on high interest than to come to Government for loans under Agriculturists' Loans Act which bear a very low rate of interest. As such, establishment of any bank will not flourish.

(vii) to (xiii) Do not arise.

Question 5.—(i) Not possible.

(ii) The only means is to collect statistics from the local Sub-Registrar's office and to compile figure therefrom. This will give a general idea and not an accurate one.

(iii) (a) and (b) The amount of debt is mostly on land security and they are generally registered. Debts against any other assets all on general security without a specific pledge are seldom met with.

(iv) Debts are generally incurred for items mentioned in (a), (b), (c) and (d) and occasionally for those in (e) and (f).

(v) These debts are mostly due to professional money-lenders and seldom to Co-operative Societies.

(vi) The general view is that owing to constant failure of crops, the agricultural indebtedness in this locality has a tendency to increase.

(vii) Excepting in the time of scarcity, practically no attempt is made to meet the needs by the Acts in question.

(viii) Does not arise—vide answer to question 4 (vi).

(ix) Itinerant money-lenders, such as Kabulis, are to be found in this part of the country in sufficient number since the last scarcity year 1334 B. S. They invest money generally among the agricultural and the labouring classes and in good many cases amongst middle class people. They have established a flourishing money-lending business here. The rate of interest charged is as. 2 per rupee per month, i.e., 150 per cent. per annum. Money is advanced on pro notes which are generally printed in English and the money is made payable at various places. Money is realised by the agent of the lenders oftentimes with certain rigidity.

(x) No concrete example can be cited.

(xi) The Usurious Loans Act is applied in good number of cases and relief granted. Nothing to suggest.

(xii) No such standard rate.

(xiii) No specific instance can be given. The debtors sometimes take the plea of part payment of the interest as well as of the principal in courts but they cannot always substantiate the plea.

(xiv) Organisations such as Co-operative Dharmagolas will meet the purpose.

(xv) Generally 50 per cent. over the amount of paddy advanced is charged provided the debt is paid off when the next crop is harvested, failing which, compound interest at the rate of 50 per cent. is charged. These paddy loans are always paid in kind and very seldom in its money value.

(xvi) In money loans 25 to 37½ per cent. per annum is the normal rate of interest. Compound interests are not generally charged if the payment is made within the stipulated period. In cases of default resort to Civil Courts is the only method for enforcing the payment.

(xvii) Such instances are occasional. In majority of the cases both the creditors and the debtors are agriculturists. Landlords are not generally the money-lenders.

(xviii) Agricultural ventures are practically unknown in this subdivision. The primitive method of tilling the soil and of fertilising with the cow-dung manure or with the silts of old dried up tanks are the processes still in vogue with the agriculturist money-lenders or with the poor cultivator debtor. So any deterioration or improvement in the cultivation of the soil or of the growing of the produce is not applicable here.

Question 6.—(i) Nothing properly so called.

(ii) Does not arise.

(iii) to (v) Cocoon rearing on a large scale which was once a flourishing business here and which art is known to almost all the cultivators may be suggested as a remedy. But owing to introduction of artificial silk which is selling at a cheaper rate and which has practically captured the market this indigenous industry is gradually dying out. Any means to stop this influx of these artificial silk will indirectly act as an incentive to revive this decaying trade. No other particular form of financing is needed at present.

Question 6A.—(i) Small industries such as conch shell industry, bellmetal industry, etc., are private enterprises now.

(ii) Not necessary now.

Question 6B.—(i) No other facilities except resort to local mahajans.

(ii) Purposes are various.

(a) Repayment of earlier debts.

(b) Marriage and other social occasions.

(c) Litigation.

(d) Famine and other kinds of distress.

(e) Payment of land revenue or rent.

(f) Purchase of implements for their special trade.

(g) House building and repairs.

The rate of interest varies between 24 to 37 per cent. per annum.

Practically there is no difference between secured and unsecured loans.

(iii) The co-operative banks only are in some cases helping them. Establishment of more co-operative banks may provide help to a larger extent to these people.

(iv) There is a tendency to the increase of indebtedness among these classes of people.

Question 7.—(i) There are no other rival banks in the locality.

(ii) Difficulties:—

(a) Rs. 250 limit. Increase may be made with the permission of the Central Bank which it is very loth to make.

(b) Co-operative banks involve cumbrous procedure.

(c) The Central financing organisation do not always come up to their needs.

(iii) There are at present 120 co-operative societies, with an average working capital of Rs. 1,200 each. It may be fairly guessed that 230 more societies may be formed and the condition of the present society should also be improved. So the extra capital required would be $(230 \times 2,000)$ and 120×800 that is Rs. 5,56,000 on the whole.

(iv) and (v) No.

(vi) There is room enough for granting further concessions as suggested in the question in order to stimulate the growth of the co-operative movement.

Question 7A.—(i) It is desirable that Co-operative Central Banks should be permitted to grant loans to individual members and depositors. It will have the effect of popularising the co-operative societies in rural areas.

(ii) It is desirable to enlarge the scope for the investment of funds of co-operative societies and to relax the restrictions.

(iii) Free interlending of funds between co-operative societies and other banks and loan offices should be introduced.

(iv) Nothing in particular.

(v) The local central bank is not yet in a position to undertake such banking business.

Question 7B.—(i) In places where co-operative societies have been opened in rural areas it has the effect of rescuing to some extent the agriculturists from the ever increasing liability to the local mahajans and has also saved them from alienating their lands to those greedy mahajans.

(ii) As the funds at the command of the local co-operative societies are very limited, they have not been able to replace the professional money-lenders to any considerable extent. No concrete example can be cited.

(iii) The factors that operate against the rapid spread of co-operative banks in rural areas are—

(a) Illiteracy of the masses.

(b) Shortness of the fund of the co-operative banks.

- (c) Never-ending liability of the agriculturists to the mahajans.
- (d) Joint and several liability of the members under the Co-operative Societies Act.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—(a), (b) and (c) There are no other Loan Offices or Banks in this subdivision except the Co-operative Societies.

Part II.—Indigenous Banking.

Questions in this section cannot be answered as there is no such organisation in this subdivision as indigenous banking as suggested by the definition.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) Existing banking resources in this subdivision are:—

(a) Savings of middle class people.

(b) Capital invested by mahajans.

(ii) No.

(iii) The means or institutions for encouragement of savings and investment habit are—

(a) Post Office Savings Bank.

(b) Government Loans.

(c) Deposits in the co-operative banks.

(d) Loans to co-villagers.

(iv) There is much scope for providing facilities for investment.

(v) The existing facilities may be improved and extended in the smaller interior places by—

(a) Extension of Post Office Savings Bank.

(b) Increasing the rate of interest.

(vi) Nothing in particular excepting the habit of making ornaments which, besides being articles of luxury and vanity, are regarded useful in some quarters for easy means of raising loans in cases of need.

Question 2.—(i) and (ii) These two clauses may be answered together. Postal Cash Certificates are popular to a degree. They can be made more so:—

(a) By raising the rate of interest.

(b) By reducing the initial period of one year for which no return is paid.

(iii) Vide answer to question 1 (v) of this section.

(iv) Generally middle class people.

(v) Higher rate of interest will perhaps attract the landlord and the mahajan class. Illiteracy of the agricultural class stands in the way of their coming to invest their surplus in these banks.

(vi) Those who look for more security of their capital invest in Postal Cash Certificates and those who look for a higher rate of interest with a certain sense of security lay out in Co-operative Societies, the only banking institutions in the locality.

Question 3.—(i) and (ii) Nothing in particular.

(iii) The agricultural and middle class people are generally improvident. The money which comes into their hands by sale of produce or through any other cause are mostly spent in repayment of earlier debts, payment of rent and in litigation. In case of any surplus they invest it in small loans to the co-villagers.

(iv) Farmers generally lend paddy to fellow-agriculturists at an interest varying from 25 per cent. to 50 per cent. on condition of repayment at the next harvest.

Question 4.—(i) The cheque system is altogether unknown in this subdivision.

(ii) and (iii) Do not arise.

(iv) It is understood that the co-operative banks use vernacular scripts in all affairs but they use English scripts in the cheque system whenever they exist along with other banks.

To the majority of population the English scripts being unfamiliar there may be some prejudice against them. The vernacular scripts may be used with greater advantage if adopted at least as an alternative measure.

Question 5.—(i) The banking and investment habit of the people of India in general can be said to be of very slow growth. This fact will be corroborated by the small proportion of the number of banks established to the number of population.

(ii) The causes to which this slow growth of banking habit in the people may be attributed at least in this subdivision seem to be the following :—

(a) Lack of general education.

(b) The generally low economic condition of the people due greatly to want of adequate and cheaper financing.

(iii) The idea of educating the people of the subdivision to invest their savings in productive undertakings, e.g., propaganda by Government in regard to Government loans for capital expenditure, etc., is only feasible when there will be spread of general education in the country.

(iv) No branch of the Imperial Bank of India has been opened in this subdivision.

8.

Mr. Charu Chandra Gupta, Subdivisional Officer, Jangipur (Murshidabad).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) (b) (c) From local mahajans—sometimes on simple bonds, but generally on mortgage of land. There are some rural co-operative banks but they are only a drop in the ocean.

(ii) Rate of interest varies from 12 per cent. to 50 per cent. Loans are generally taken during the period from April to November, to be paid in January and February. Generally lands are mortgaged. Crops are not mortgaged, but are held out as the prospective means by which repayment would be made.

(iii) Only a very few Co-operative Banks. No other Bank or merchant or dealers or any other organisations take part in financing local agriculture. It is only the local money-lenders who do this.

(iv) (a) For expenses during cultivation, Rs. 40,00,000, for the whole of the Jangipur subdivision.

(b) For capital and permanent improvements, Rs. 20,00,000.

(c) For failure of monsoons, etc., Rs. 1,00,000.

(v) The main defect of the present system of financing is the high rate of interest and is due to the absence of any credit facilities. The only remedy possible under the present circumstances is the starting of Co-operative Banks—one for every hamlet and the banks should be based on sound footings. In order that the banks may be managed properly, compulsory primary education is necessary among the agriculturists.

(vi) There is no co-ordination.

Question 2. (i) Small traders make purchases from house to house and bring the crops to the local markets, where the dealers purchase them and send them to Calcutta or Sahebganj or other places.

The raiyat is unable to hold up his crop for better price, because as soon as he harvests his crops he is besieged by his creditors and he cannot pay them off without selling his crops.

(ii) Co-operative sale societies may be established with advantage on the main principle of purchasing the members' crops at the market rate and paying them a bonus when the crops are sold at a higher price.

(iii) There is no Co-operative Sale Society in this subdivision.

(iv) As stated in (ii) above.

(v) (vi) (a) (vi) (b) Foreign trade does not directly affect this locality.

(vii) No.

(viii) None but postal money orders.

(x) Not known.

(xi) Does not arise here.

(xii) and (xiii) None current here.

(xiv) and (xv) Hundis are not used here.

(xvi) None.

(xix) and (xx) The system in vogue in the United States of America is not known.

Question 3. (i) Rs. 300 to 500 per acre.

(ii) The value depends on the fertility and the probable outturn to be obtained.

(a), (b) and (c) Value of land in purchase by private negotiation is higher than the cases in (a) and (b). In the case of rent-decree sales, generally the zamindars get back their lands at a nominal value as very few people know anything about it.

In the case of ordinary Court-decree the value obtained is higher than (a).

Question 4. (i) No.

(ii) The amended Bengal Tenancy Act ought to improve the credit facilities of the agriculturists. Its results are not yet apparent.

(iii) Not known.

(iv) No.

(v) Land Mortgage Banks on Co-operative basis should be established.

(vii) (a) Settlement records are sufficient for the purpose.

(b) Foreclosure ought to take place automatically, the demand not being paid at the end of the term, without having recourse to the Civil Court. At most the foreclosure may only be registered on application to the Civil Court and a notice being issued by the same.

(c) The Secretary or Manager of a Land Mortgage Bank should be allowed to make reference to the Settlement Record-Room free of cost. Documents should be free from stamp duty and should be registered free. The banks' proceedings at law should be free from charges of court-fees except process-fee.

(viii) The capital should be derived from all the sources named in (a), (b) and (c).

(ix) and (x) The Debenture bonds should carry Government guarantee for both principal and interest. There is no fear that the Government will incur any loss as value of land will ever increase.

(xi) With Government guarantee money may be raised at 6 to 9 per cent. interest. Money may be lent out at 12 to 15 per cent.

(xii) Yes.

Question 5. (i) to (v) It is not possible to ascertain the figures without long and detailed enquiry locally and at the Sub-Registry office and even then only an approximate idea can be obtained.

(vi) Agricultural indebtedness is increasing every year.

(vii) The Land Improvements Loans Act and the Agriculturists' Loans Act are never applied except in the years of scarcity and in case of extreme necessity to save lives.

(viii) The provisions are already sufficient.

(ix) Kabulis only sell cloths on credit and do not lend money in this locality.

(x) None came to my personal notice.

(xi) The Usurious Loans Act is not applied here.

(xii) and (xiii) Does not arise.

((xiv) Ordinary co-operative banks would suffice if they make their bye-laws fill in with this idea.

(xv) 50 per cent.

(xvi) Yes, to some extent.

(xvii) Yes.

Question 6. (i) There is a very small amount of gur-making here. There is also extensive lac cultivation. There is also mulberry cultivation and growing of silk-cocoons. But this industry is in a dying condition.

(ii) Co-operative sale societies would enable people to get better price for their lac.

(iii) Improvement of the silk-industry would help the people a good deal.

(iv) and (v) Establishment of Co-operative Banks would help it.

Question 6A. (i) There is no special system of financing them except having recourse to the mahajans.

(ii) Co-operative Banks might help the matter.

Question 6B. (i) The only sources are the mahajans.

(ii) They borrow generally to supply capital and sometimes for their own maintenance and also for marriage and *shradh*.

Rate of interest for secured loans varies from 12 to 24 per cent. and the same for unsecured loans varies from 24 to 50 per cent.

(iii) There is no joint stock bank or any indigenous bank. Government helps them only in years of distress.

There is only a very small number of co-operative societies which are helping them really.

I suggest the establishment of co-operative societies in large numbers.

(iv) The indebtedness is generally on the increase.

Question 7. (i) There is no branch of the Imperial Bank here, and there is no joint stock or indigenous bank. So the local co-operative Banks have no connection with any such bank.

(ii) The Central Co-operative Bank here attracts large deposits. It gets its finances from the Department.

(iii) An extra capital of about Rs. 20,00,000 is required for this subdivision.

(iv) No.

(v) Does not arise.

(vi) I believe co-operative societies are already free from income-tax. If not, they should be made free.

Debentures issued by co-operative banks should be included in the list of trustee securities. There should be a reduction of fees on money remitted through the Post-offices.

Question 7A. (i) Yes, on approved securities.

(ii) Yes.

(iii) Yes.

(iv) None at present.

(v) They cannot do it under the provisions of the present Act.

Question 7B. (i) The amount which the rural co-operative societies are enabled to offer as loan is but a drop in the ocean in proportion to the actual needs of a place. Hence, there is no appreciable decrease in the rate of interest.

(ii) Not to any appreciable extent.

(iii) Illiteracy among the masses, their habitual indebtedness are the main impediments.

Part IA.—Loan offices and Joint Stock Banks in the Mufassal.

NOTE.—There are no such banks here.

Part II.—Indigenous Banking.

There are no indigenous banks in existence here.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) There is only one Central Co-operative Bank here, which draws its working capital from shares, deposits and borrowings from the Provincial Co-operative Bank on rare occasions. There is no other bank in this subdivision.

(ii) Rs. 20,00,000 as already stated.

(iii) and (iv) None except the Post-office Savings Bank and Postal Cash certificates, Savings-Bank Deposit and Prudential Deposits in the Central Co-operative Bank.

(v) Removing illiteracy from among the masses and propaganda are necessary. The masses cannot save anything and they are habitually indebted to the mahajans.

(vi) There is not much hoarding of silver and gold here except what is involved in ordinary ornaments, which is not very large here.

Question 2. (i) Not popular, because the rate of interest is much below the local rate of interest.

(ii) Rate of interest may be increased.

(iii) There is no complaint except that the rate of interest is very low.

(iv) Only a small fraction of the educated few.

(v) Raising of the rate of interest and propaganda seem to be the only feasible measures to be taken. The people are very poor and they have nothing to save.

(vi) There is no competition of the kind.

Question 3. (i) Government Securities are not resorted to by people of this locality. It is yet a long way off when small agriculturists will take up Government Securities.

(ii) None in use here.

(iii) The ordinary agriculturists have very little savings after meeting their creditors and after paying their rents and meeting their ordinary requirements. Those that can save something, invest the same in purchasing land or in lending on interest.

(iv) Yes, occasionally, and on interest varying from 12 per cent. to 50 per cent.

In feasts or ceremonial functions or in investing on land or in lending.

Question 4. (i) (ii) (iii) Cheques are not used here except by Municipalities, District Boards and Local Boards in their transactions with the treasury.

(iv) Vernacular scripts should be used in rural banks.

Question 5. (i) Yes.

(ii) Poverty and illiteracy and want of faith in the organisers of banks.

(iii) Primary education and propaganda are necessary.

(iv) There is no branch of the Imperial Bank here.

9.

Mr. Prafulla Chandra Chosh, Subdivisional Officer, Lalbagh (Murshidabad).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) Grain loans from landlords and village mahajans, and cash loans from co-operative banks where they exist.

(b) From mahajans and co-operative societies and rarely from loan offices.

(c) From mahajans and co-operative societies and also agricultural loans from Government during failure of crops and extensive damage by flood or fire. In very bad years, when mahajans withhold loans, the cultivators have even to go to usurious Kabulis or sell away portions of their holdings.

(ii) In usual years cultivation loans are advanced by mahajans in grain on 50 per cent. interest, this being on the principle that the grains are much cheaper immediately after the harvest than when the advance was made. This is generally repayable within the year, i.e., after harvest, but usurious mahajans often deduct a portion of the quantity given out as advance interest of the loan and again add a further interest during realization, carrying on a balance from year to year for the purpose of keeping a hold on the debtor and for finally expropriating him when the mahajan is avaricious or the debtor becomes recalcitrant.

In bad years the cultivators have to take loans in cash or kind, and interest varying from 25 to 37½ per cent. in cash value is charged on an

unsecured bond, whereas if property or ornaments are mortgaged and the security is good, the interest varies from 18 to 25 per cent.

For other loans in normal years, the interest varies from 12½ to 25 per cent. when properties or ornaments are pawned.

The security of standing crops (i.e. when the standing crop is sold in advance) is taken in rare instances by speculators like Marwaris, etc., but it is not the usual policy with village mahajans.

Dealers of minor crops, e.g., vegetables, etc., are known frequently to purchase standing crops in advance.

The few co-operative Societies that exist in this subdivision charge interest at 15 per cent. from the cultivator-members.

The proportion of secured and unsecured loan is estimated to be 2 to 3 (i.e. 40 per cent. secured, 60 per cent. unsecured). It is only a rough estimate as correct figures are difficult to secure.

(iii) The part played by Government and the Imperial Bank of India is almost nil except in case of extensive failure of crops when Government loans are advanced, but that is usually inadequate and the people affected have to supplement it largely by debts on usurious interest.

Indigenous bankers, e.g., village mahajans (including zamindars who give paddy loans), play the most prominent part.

There is practically no indigenous bank in the subdivision nor are there any joint stock ones. From my experience, however, I know that even where such private or joint stock banks exist, they are hardly less usurious than the ordinary village mahajans as the shareholders and depositors generally run after high dividends and charge interests varying from 12 to 18 per cent. on their outlay only.

Grain merchants also play an important part when they purchase standing crops in advance on speculative concession prices.

Companies dealing in implements, fertilizers, etc., have not yet spread their activities of advancing articles on credit to the cultivators. When they begin to do so it would be a great advantage to both parties.

Co-operative banks ought to play very important part, but as yet their number is very few and finance small so that they are able to touch only a fringe of the problem.

(iv) A very detailed enquiry, involving much time and labour, is necessary to answer this question and no offhand reply is possible, but some people whom I have questioned in the matter say, it may be between 50 lakhs to one crore of rupees for this subdivision alone.

(v) The defects are:—

(a) Ignorance and consequent permanent indebtedness to the scheming village mahajans.

(b) The usual unthriftiness of the agriculturists which makes them run into debts irrespective of consequences due to ignorance or even an inconsiderate social pressure.

(c) Tendency of the people to allow their debts to accrue, e.g., rents and old debts, without fear of consequences, which all are apparently due to their permanent and hopeless insolvency.

(d) Want of facilities for getting cheaper credit and organisation or village sympathy for preventing the people from running into debts.

Remedies suggested :—

Education by frequent oral instructions and lectures for improvement of social and moral conditions, fostering village organisation for such purposes and inculcating ideas of thriftiness as also for improving agriculture and bringing in better income by agriculture itself and other home industries.

Extensive and frequent propaganda for such purposes as also for improvement of the material condition of the people generally. It would take too long if it is now begun through primary schools only.

Propaganda by frequent oral lectures and careful watch alone can bring speedy results.

Facilities for credit also require great expansion.

Co-operative Societies can do a lot in removing all the defects, but their number must be extended, their finance enlarged, management improved, hands increased for carrying on propaganda in various directions and above all it is necessary that a spirit of real co-operation should be inculcated.

(vi) At present there is little co-ordination between Government and credit agencies, but the central and co-operative banks can expand vastly with Government assistance.

Question 2. (i) Cultivators take their produce to nearest marts. Often the dealers of grains come to the village and make house-to-house purchase. The dealers get a small commission, but it saves the producers the trouble and cost of journey which may be heavy in case the commodity is small in quantity.

Except in case of big cultivators it is not possible for them to hold up their produce for better prices, as immediately after the harvest come the demands for rent and payment of old debts. In fact they have to dispose of their produce when the price is the lowest.

(ii) Pools and co-operative efforts would be of great advantage and will be favoured by all.

(iii) None in this subdivision.

(iv) No credit facilities actually exist. The agriculturists may be helped by drafts and local banks.

(v) Agriculturists have nothing to do with foreign export.

(vi) (a) Only village mahajans and merchants purchase at *hats*, *mokams* and *ganjas* and working as middlemen, hand over the commodities at Calcutta or important ports.

Foreign exporters are not in actual touch with the cultivators, nor do they make direct purchases at the marts. The intermediate men are generally moneyed people, and if there is want of funds they get advances from the firms in whose behalf they work. It would be of great advantage to the cultivators if they are placed in direct contact with the exporters.

(b) Speculation by exporting firms materially affects the producer and this should be controlled.

(vii) Both to the monopoly enjoyed by the buyer and to the want of definite standard of quality.

(viii) Not much; in a few cases only hundis and cheques are in use.

(ix) Opening of branches of banks in districts would be useful.

(xi) Introduction of bills on reduced duty will be useful.

(xii) Hundis in use are either payable on presentation or within a fixed period.

(xiii) Standardized forms will be useful.

(xiv) Hundis are discounted in the local centres.

(xv) Railway receipts and intimation of insurance post.

Question 3. (i) Winter paddy lands from Rs. 200 to Rs. 450 per acre according to quality.

Jute and rabi lands from Rs. 60 to Rs. 150 per acre according to quality.

(ii) (a) Better values are obtained in Government auction.

(b) In court sales it is usually cheap as only the decretal money has to be paid where the defaulting tenants fail to turn up.

(c) In private purchases, too, the prices vary according to the needs of the seller or the purchaser.

Question 4. (i) Nil.

(ii) The amended Bengal Tenancy Act has just begun to exert influence for the benefit of the agriculturists' credit.

(iii) There are no long-term credit institutions except the central co-operative bank. Fragmentation of holdings stands a good deal in the way of long-term credits.

(iv) No land mortgage banks.

Question 5. (v) The largest creditors are the village mahajans, bankers or zemindars.

(vi) From whatever accounts are available, it seems the agricultural indebtedness is increasing, but it is difficult to get even approximate figures without a detailed enquiry.

(vii) Government loans are given out in times of distress.

(viii) The operations of the Agriculturists' Loans Act are already adequately prompt and so are those of the Land Improvements Loans Act.

(ix) The usurious Kabulis are in evidence all over the country and are known to make their usual depredations.

(xi) The Usurious Loans Act is occasionally utilised by civil courts, but the poor people, who are almost immersed in debts with their usual mahajans, wilfully submit to executing bonds deducting a lump sum as advance interest of the sum actually handed over and they do not generally contest such payments in courts. The only remedy is extensive propaganda to educate the people in this respect so that they can learn to stand upon their rights and also to teach them thrift and improve their material condition.

(xii) There does not seem to be any fixed rate of interest, but the courts generally allow an equitable rate, which generally does not exceed 37½ per cent.

(xiii) Vide answer to question 5 (xi). Also the debtor is often made to execute a fresh bond showing the principle plus the accrued interest as principal in the new bond.

(xiv) Dharmagolas will be useful institutions and from this store the officers of the Agricultural Department ought to be able to provide a seed store.

(xv) 50 per cent. by quantity repayable at harvest.

(xvi) Rates of interest on cash loan vary between 18 to 37½ per cent., while with security it is reduced to between 12½ and 25 per cent.

The interest is calculated generally monthly, but if the promised period of repayment is exceeded usurious mahajans calculate compound interest thereupon.

Payments are enforced generally through courts, but a mahajan of ordinary morality usually protects his poorer debtors, when the debt is heavy by substituting a kistbandi bond without charging further interest.

If grain loans are not repaid after harvest and the debt is heavy, the same method of kistbandi in money value is made, but a greedy mahajan often adds 50 per cent. more to the combined quantity of principal and interest and carries the entire quantity to the following year's account.

(xvii) Yes, quite a large number.

(xviii) Not very marked.

Question 6. (i) Hand-spinning is practised by cultivators of weaver class only as an additional home industry.

In gur-making, villagers often combine and co-operate with each other.

(ii) Financing, education and propaganda.

(iii) Encouraging spinning of cotton and jute, cocoanut fibres, improved poultry, farming, etc.

(iv) By limited liability co-operative societies.

(v) Vide question 6 (iv).

Question 6A. (i) By joint stock company.

(ii) Allow them bank credits.

Question 6B. (i) Day labourers get loan on credit of future service and others on their personal credit.

(ii) Purpose of loans:—

Family expenses in hard times, marriage or funeral ceremonies, purchase of land and cattle, to make good certain losses by fire, etc., and carrying on petty trades.

Rates of interest 18 to 25 per cent. secured loans and 25 to 37½ per cent. unsecured loans.

(iii) Members of co-operative societies get loans from their societies, and joint stock banks give loans at 12 to 18 per cent. interest on security. Fostering growth of more joint stock banks with Government aid where necessary.

(iv) It seems to be on the increase.

Question 7. (i) Practically no inter-communication banks of any kind.

(ii) The only difficulty seems to be inability of the debtors or rather defaults made by them in paying off old debts.

(iii) The Secretary, Lalbagh Central Bank, suggests one lakh of rupees.

(iv) So far as this subdivision is concerned, there is practically no competition.

(v) Yes, reduction of money order commission, facilities during registration of bonds, etc.

Question 7A. (i) No, but depositors may be granted such loans.

(iii) For the safety of co-operative societies interlending connections with other private banks should be discouraged.

(v) Central banks should not be charged with additional responsibilities till they are very firmly established.

Question 7B. (i) Introduction of co-operative societies has checked demands of high rates of interest by mahajans. Such societies are also inculcating ideas of thrift among the members.

(ii) The number of societies in this subdivision being small, they cannot yet tackle an appreciable proportion of the total agricultural population.

(iii) (a) Want of spirit in the real co-operation among the people.

(b) Fear of shouldering responsibility of other debts, both of which are due to extensive want of education.

(c) Opposition by usual mahajans of the members and by zemindars when they have lending business.

Part 1A.—Loan Offices and Joint-stock Banks in the Mufassal.

Question 1. (a) Berhampore Bank, Ltd.

(b) Murshidabad Loan Office located at Nashipur, and Nehalia Loan Office at Jiaganj.

Question 3. (i) From $5\frac{1}{2}$ to $7\frac{1}{2}$ per cent., per annum.

(ii) 4 or 5 years.

Question 5. (i) Period for which loans are granted are not fixed. The various kinds of purposes are—

(1) Liquidation of debts.

(2) Purchase of lands.

(3) Improvement of land.

(4) To clear up a decree.

Rate of interest—generally 12 per cent. per annum.

(ii) Yes. If money is not repaid within the stipulated time the interest accrued on the date is included in the principal. In case of security of ornaments, no compound interest is charged.

(iii) No.

(iv) Wherever time for repayment is fixed steps are taken when the debt becomes overdue.

Question 6. (i) These institutions lend money to agriculturists on proper security only i.e., mortgage deed, immovable property.

(ii) They can, if shareholders and depositors are not greedy and sufficient deposits are available and the banks expand. But not to the extent co-operative societies can when these are adequately expanded.

Question 7. (i) In addition to banking they give some facilities to the business men. In keeping properties in mortgage, however, the loan officers and banks often get burdened with real zamindari business which complicate their affairs.

(ii) Sometimes the difficulties arise that the consignee does not pay money on seeing the hundi, nor take delivery of the goods. It causes loss to the banks which had already incurred expenses. It may be useful if the consignee may pay for the goods on presentation or delivery of the bill.

Question 8. (i) According to the discretion of the Directors.

Question 9. (i) In most cases single entry system is in vogue.

(ii) Yes.

Question 10. Absolutely necessary.

Question 12. None.

Part II.—Indigenous Banking.

Question 1. In this district there are no branches of the Imperial Bank of India.

There are co-operative societies, loan offices and private companies in our district. Their functions are mainly confined to money-lending. A co-operative bank confers many other benefits on members.

Question 2. The credit given by the indigenous banks and bankers greatly assist agriculturists, trade and industry obtaining only a small portion of their credit facilities.

Question 4. Hundis are of two kinds, viz., those payable on presentation, and those valid for a period.

Hatchitha, hand-note, promissory note, etc., are other credit instruments.

Question 5. (i). Banks have their own rules of business. Individual bankers follow no rule, but they keep sufficient margin against future losses or depreciation.

(ii) By receiving deposits in addition to their capital.

(iii) The rates of interest on deposits are as follows: $4\frac{1}{2}$ to $7\frac{1}{2}$ per cent. per annum.

(iv) No.

Question 6. (i) Interest is paid in cash and not in kind.

(ii) By expanding and increasing co-operative societies.

(iii) Reduction of rates will confer great benefit on agriculture and increase their resources, improve their standard of living and agricultural condition. They should, however, be educated in thrift and against heavy debts on cheap credit.

Question 7. (ii) Not sufficiently.

Question 8. (iii) Yes. As the realisation through the civil court takes abnormally long time, it would be of great facility if the procedure could be shortened and made expeditious.

(iv) They are sure to resent at the start, but ultimately they might come over and invest their money in such institutions for a safe return.

Question 9. I do not think the net return much exceeds 9 to 12 per cent. It is only the external glamour of the prospect of large profits that blinds the money-lender and also the power of having a large number of debtors in his control.

Question 10. The bankers and money-lenders include only such number of debtors they can finance in their usual lists, but financiers to tackle all loans necessary within a certain area except in exceptional years are a necessity.

Question 11.—It is desirable to have a central organisation in a district connected with provincial central organisation.

Question 12. (i) It is rare that an indigenous banker has money unemployed.

(ii) A large amount of money is, for the above and various other reasons, flowing into the provincial capital.

(iii) Yes, these could help expansion of co-operative societies and other remunerative work.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) Co-operative banks, joint-stock banks, indigenous banks with their share capital, deposits and reserve funds, etc.

(iii) Postal savings banks, co-operative banks, insurances, home-safe boxes and provident funds, etc., and purchasing shares, debentures of flourishing corporate bodies.

Besides these, there are Cash Certificates, Government papers, etc.

(iv) Yes.

(v) By propaganda work, and educating the people and inculcating habit of thrift. Dishonesty of individuals is the drawback for the investment of the savings of the public.

(vi) Some people, particularly the females, are in the habit of investing in silver and gold.

Question 2. (i) Not particularly popular as the interest is low.

(ii) Yes.

(iii) The savings banks afford facilities to the people of towns and in the interior only to the people where there are such banks.

(iv) Middle classes, widows, school masters and public funds, viz., school funds, provident fund, municipal employees fund, etc.

Question 3. (i) Bonds for small sums may be issued, which too should be made payable in instalments. Some investment bonds on the lines of the Continental Premium Bonds might provide incentives for saving.

(ii) Financial Agencies have agents for selling and purchasing securities on commission.

(iii) All the funds of the ordinary cultivators are spent in paying rent and repaying debts. Only the bigger cultivators have a surplus, which they spend on improving their houses and investing on lands by way of mortgage, etc.

(iv) No. In a prosperous year the surplus money is spent to clear up the old debts and arrear rents and what little surplus they have, they utilize in improving the house, purchasing cattle, etc. The case of wealthy cultivators is different.

Question 4. (i) Nil. Except, with moneyed people who have transactions with bank.

(ii) It has made cheques more popular.

(iii) Vide Question 4 (i).

(iv) No harm if the vernacular scripts are introduced.

Question 5. (i) Yes.

(iii) Propaganda works.

(iv) Though there is no branch of the Imperial Bank of India in this district, I know from my experience in other districts that they are working well, producing good result.

10.

Mr. Rajendra Narayan Rakshit, Sub-Deputy Collector, Jessore.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a), (b) and (c) Agriculturists borrow money from local mahajans and from co-operative credit societies where they exist.

(ii) Interest charged by local Mahajans varies from 24 per cent. to 37½ per cent. and that by co-operative credit societies is 15½ per cent. per annum.

Mahajans grant loans both on personal security and on mortgage of lands and on security of ornaments. Co-operative societies grant loans on personal security generally. The secured properties are sold on failure of repayment of the debts.

About 80 per cent. of the loans to agriculturists are unsecured.

(iii) Government give advances to agriculturists during flood, famine, or scarcity.

The Imperial Bank of India has no branch in this district.

Joint stock banks finance agriculturists directly for major permanent improvements and for purchase of lands by them.

Co-operative banks do that directly both for minor and major improvements, for purchasing seeds manure, etc. So do bankers, professional money-lenders, etc.

No indigenous bank in this district or other organisations giving credit (e.g. companies trading in fertilisers, etc.).

(iv) The total amount of capital required for the various purposes for this district is about a crore of rupees.

(v) The credit agencies do not generally enquire whether the loans are taken for productive purposes. The object of some of the financing agencies is to amass money by way of interest and to acquire lands by selling the interest of the agriculturists. Loans should be given after careful enquiries.

The agriculturists are generally improvident. They try to save money very seldom. They are now trying to imitate the high class bhadralogs in their modes of living.

The difficulty of speedy realisation is another factor. In case of land mortgage, when the holdings are small, no bank situated at a distance will think of purchasing small holdings. One has to sue and go through all the dilatory process of Civil Courts in order first to get a decree and then to attach and have the property sold. In most cases it is difficult to find a purchaser for the sale as neighbours, unless they are unfriendly, do not wish to go against the interest of a neighbour. Bank which lends money can hardly be expected to run smoothly if compelled to sue its borrowers, who through the help of the Courts can resist payments for a number of years, if not totally.

Remedy.—(1) Government may grant some facilities of the Public-Demands Recovery Act (as it does in the co-operative banks), to private Banks provided they submit to Government supervision.

(2) The Imperial Bank of India may be empowered to advance loans to private banks on the security of their assets provided such banks agree to Government inspection and control and affiliate themselves to the State Bank.

(vi) At present there is no co-ordination among the various credit agencies including Government, but there is scope for improvement in that direction.

I propose two instrumentalities for achieving the object:—

(a) The first method is that of alliance or co-ordination between joint stock banks and organised groups of indigenous bankers. Such an organisation is slowly coming into existence in the case of loan societies in Bengal. The joint stock banks might assist such groups with loans and with advice and guidance which might improve their organisation. In this system of co-ordination not only the joint stock banks but other banks like the urban co-operative banks might play their part. The joint stock banks might increase their functions by undertaking the work of investment trusts. This investment trust organisation has had the effect of increasing the dynamic force of capital in England and America and, if adopted in India, would do much to remove the hoarding practice.

(b) *Rediscounting facilities.*—There is another and an additional way of establishing contact between the larger banks and the indigenous bankers. The establishment of a reserve bank and the possibility of rediscounting commercial paper with it would induce the indigenous bankers to adapt themselves to the new banking system and its methods. The organisation of indigenous bankers from below and the grant of rediscounting facilities by the reserve bank from above are both very necessary for achieving the desired contact between the two portions of our banking system. Such a reserve bank could organise a real money market for India and then connect it with the co-operative system. Then, again, it could regulate and direct the seasonal circulation and

transfer of capital between trade and agriculture. The rediscounting facilities which it would provide would greatly enlarge the capacities of the Joint Stock Banks to assist agriculture.

Question 2.—(i) In most cases farias and beparies go to the raiyats' houses and purchase the principal crops.

In some cases the raiyat takes advances in money and clear the debts by paying the beparies in kind, the advances being taken immediately before the sowing season. The surplus crops are taken to the nearest hâts and are sold there.

In most cases the raiyat cannot hold up his crop for a better price. The reasons are that the raiyat has to pay up his landlord's rent, mahajan's debts, taxes, and purchase his necessities of life.

(ii) The Co-operative Department is trying to start some Co-operative Jute Sale Societies in this district. There are hardly any possibilities of forming pools here owing to mutual distrust of each other.

(iii) No Co-operative Sale Societies in this district up to date.

(iv) If the market be dull, the agriculturists may be financed by rural co-operative credit societies for payment of landlord's rents, mahajan's debts, etc., in order to enable the raiyat to hold up his crops for a better price. At present no facilities actually exist.

(v) No difference between internal and foreign trade.

(vi) Goods are exported to Calcutta through certain mokams of the district. They are carried by boats, steamers and rail. Some European firms and Marwaris have got their agencies for jute business in the mufassil of the district such as Lohagora, Brahmandanga, Sailkopa, Magura, Barabazar, Keshobpur, etc. The villagers bring the goods to the mokams. They are purchased directly by the local merchants or intermediate dealers who then export the same to Calcutta (at Hatkhola, Tala, Ultadanga, Belegbata, etc.). The local merchants sometimes have their own capital and also borrow money from banks, money-lenders, and also take advances at nominal interest from Aratdars, who in their turn borrow money mostly from the marwari banks and money-lenders.

Question 3.—(i) The value of land per acre is different in different localities. In some places where the rivers are dead and where malaria prevails and the villages have been depopulated, lands go abegging. In such places lands can be had at Rs. 25 to Rs. 50 per acre. But where the rivers are still alive, the lands are inundated and are fertilised by deposit of silt, the value of the land is Rs. 100 to Rs. 300 per acre. In exceptional years, when the price of jute or paddy is exceptionally high, an acre of land may be sold at Rs. 400 to Rs. 600.

(ii) The factors, as stated above, are healthiness or unhealthiness of a particular locality, the condition of the river and the price of produce in a particular year.

(a) In Government auction for non-payment of revenue, proportionately more value is fetched by the sale of an entire estate than when a portion is sold.

(b) In Civil Courts decrees, sales for arrears of rent, free from encumbrances, fetch more price than ordinary sales. Agricultural holdings, when the lands are khas, fetch more price than when those are occupied by under-tenants. Generally Civil Court and land revenue sales do not fetch more than 10 to 15 times the annual profit.

Question 4.—(i) There is no legal impediment to mortgage of land and agricultural holdings and if there was any, it has been removed by the amended Bengal Tenancy Act.

(ii) It is too premature now to speak how far the amended Bengal Tenancy Act has influenced the credit of the agriculturists but it is expected that it will raise, on the whole, the credit of the agriculturists.

(iii) The smallness and fragmentation of the agricultural holdings in this district stand much in the way of establishing long-term credit institutions.

(iv) There is no Land Mortgage Bank or Agricultural Banks in this district or any other banks for the provision of long-term credit.

(v) *Land Mortgage Bank.*—Debt per head in India is lower than that in the other countries in the world, but it is less productive since much of it represents past extravagance or natural calamities. Its burden impedes the growth of agriculture, removing all incentive to improvement. The only way to free the agriculturists from their indebtedness is the establishment of Land Mortgage Banks in different centres with Government or local support, to be run at as low a cost as possible. The Imperial Bank is precluded by its charter from making advances against the security of land and landed properties. Indian Joint Stock Banks, owing to their inability to make long-term advances, which alone can afford appreciable relief to the agriculturists and save them from the clutches of the usurious professional money-lenders, can render little service to the agricultural districts.

The solution of the problem of Land Mortgage Banks is to be sought in two directions. In the first place the growing organisation of Indigenous Banks in various provinces gives the promise of their undertaking the task because they possess not only the requisite capital for, but experience regarding, long period investments in land. The other way in which the problem could be tackled is with State aid given to Land Mortgage Banks.

Question 5.—(i) No.

(ii) Such an estimate can be obtained with reasonable accuracy from—

- (a) Registration offices;
- (b) through Presidents of Union Boards;
- (c) through President Panchayets in areas where the Village Self-Government Act has not been extended.

(iii) (a) and (b) Ornaments, plough and other agricultural implements are not generally mortgaged by agricultural classes. Ornaments of cultivators are generally of silver and are rarely of gold and those are seldom pledged.

Lands of agriculturists are generally mortgaged and this can be found out from Registration offices as ordinary money-lenders very seldom lend money without having their deeds registered.

(iv) Debts are incurred for—

- (a) repayment of earlier debts;
- (b) marriage and other social occasions;
- (c) litigation;

- (d) famine and other kind of distress;
- (e) payment of land revenue or rent;
- (f) very rarely;
- (g) purchase of cattle;
- (h) not at all;
- (i) not at all.

(v) Creditors are mostly Co-operative Societies, Indigenous Banks and professional money-lenders.

(vi) Agricultural indebtedness in this locality is decreasing owing to high price of jute.

(vii) So far as I know the needs of agriculturists in this district are seldom met by the Land Improvements Loans Act of 1883 and the Agriculturists' Loans Act of 1884 except in case of flood, famine or scarcity.

(ix) Itinerant Kabulies are found here not as money-lenders but as sellers of winter clothes. They sell on credit at exorbitant prices and realise money with or without interest by sheer physical force.

(x) Usurious rates of interest have almost disappeared from this district.

(xi) Civil Courts never allow usurious rates of interest.

(xii) There is no standard rate of interest but generally 12 per cent. is allowed.

(xiii) This practice is not in vogue in this district as far as I am aware.

(xiv) Government or recognised Banks may open Dharmogolas at convenient centres and provisions may be made for realisation of the same by certificate procedure in case of non-payment within stipulated term.

(xv) The interest of paddy loans is generally 50 per cent.

(xvi) Rate of interest varies from 12 to 24 per cent. The interest is calculated at monthly rates and for any fraction of a month for that fraction and not for the full month.

(xvii) Very rare in this district.

(xviii) Does not arise.

Question 6.—(i) Cultivators sometimes convert paddy into rice and sell these in markets and small machines have been introduced in some localities for the purpose.

Gur-making is very common in this district.

There are sugar refineries also though their number is decreasing year by year. Hand weaving is made by Jolas and Tanties.

Sola hat-making and mat-making are also prevalent in this district.

(ii) This district was noted for sugar industry and the whole of the eastern districts used to get sugar from this district, but the introduction of foreign sugar has almost destroyed this industry. The gradual drying up of river is one of the causes because boats of the eastern districts cannot ply in any of the rivers on the banks of which the villages concerned are situated.

Advances of money at small interest to hand-weavers, gur-makers, sugar-makers may improve the industries to certain extent.

(iii) The following enterprises may give employment to the farmer during seasons when he cannot make full use of his time on his farm and thus enable him to supplement his income and to raise his standard of living:—

(1) Hand-spinning, hand-weaving, basket-making, bamboo and cane furniture-making, rope-making, etc.

(iv) Best method of securing working capital is advance of loan at small interest.

(v) State Banks.

Question 6A.—(i) and (ii) No organised small industries in this district and hence this question does not arise.

Question 6B.—(i) Day labourers, fishermen, small traders and middle class gentlemen borrow money from Co-operative Credit Societies on becoming members of such societies, but the number of such members is very small as the Societies generally do not allow such men to become members. There are Co-operative Credit Societies in the local Collectorate and Civil Courts where service-holders obtain loans.

(ii) Day labourers borrow money generally for purchasing necessities of life when required; fishermen for purchasing nets, boats, etc.; small traders for working capital and middle class men and service-holders for marriage ceremonies, sradhhs, religious ceremonies and for education of children.

The rate of interest varies from $9\frac{3}{4}$ per cent. to $15\frac{5}{8}$ per cent. The above-mentioned classes of men also borrow money from private money-lenders at higher rates of interest. The difference in rate of interest between secured and unsecured loans is about 6 per cent.

(iii) Government do not grant loans to the above-mentioned classes of people for the above-mentioned purposes. Joint Stock Banks grant loans to middle class gentlemen only.

Question 7.—(i) So far as this district is concerned, no relationship exists between the Co-operative Banks and other Banks. No branch of the Imperial Bank of India in this district.

(ii) No difficulties up till now.

(iii) The amount of extra capital required for financing the co-operative movement in this district, would be about 40 to 50 lakhs of rupees if organisation work is carried on vigorously.

(iv) No competition at present.

(v) Does not arise.

(vi) It is desirable that financial concessions spoken of in the questionnaire should be granted in order to stimulate the growth of the co-operative movement.

Question 7A.—(i) No.

(ii) Yes, to some extent.

(iii) Yes, if gilt-edged securities are given by Joint Stock Banks and Loan offices.

(iv) At present no relation.

(v) Co-operative Central Banks may undertake hundi business so that local merchants and traders may get cheques (on depositing money at

the local Central Banks) for encashment at the Provincial Bank at Calcutta.

Question 7B.—(i) The rate of interest has generally decreased.

(ii) Co-operative Credit Societies have replaced professional money-lenders of this district to some extent and it is said that some money-lenders have actually deposited money in the Co-operative Credit Societies.

(iii) Illiteracy of the masses.

Part II.—Indigenous Banking.

I am not aware of any Indigenous Bank or Banker in this district.

In the district of Dacca, however, this class mainly consists of local money-lenders known as Poddars who form, so to say, the life and soul of petty traders in the town and of agriculturists in villages. Before the advent of the Imperial Bank and joint stock banking institutions, theirs was the monopoly. They financed products, discounted hundies and extended all facilities to trade, taking risks, as they do even now, which few present day banking institutions would be ready to accept. The rate of interest charged by Poddars in towns is usually in excess of the prevalent market rate by 2 per cent. to 3 per cent. in lieu of the risk they run. That charged by Poddars at places of lesser importance is usurious and even $1\frac{1}{2}$ per cent. per mensem would not be unusual. In spite of the existing banking facilities Poddars form an important circle and without their financial assistance trade of the different districts would receive a grave set-back. Except in the matter of extortionate rates of interest, their ready (rather crude) ways of dealing are peculiarly suitable to their clients, who would much rather deal with them than with joint stock banking institutions, avoiding thereby the elaborate forms and formalities of the latter. Whilst by virtue of their greater resources and wider functions, the Joint Stock Banks must necessarily have a position of premier importance, indigenous bankers should receive the cognizance they deserve, and it is desirable that they should have the opportunities of identifying themselves with the Imperial and Joint Stock Banks more closely than at present, forming thereby a connecting link between Banks on the one hand and agriculturists and small traders on the other. This, however, cannot be achieved by legislation, but by mutual goodwill, trust and confidence in one another.

Part III.—Investment Habit and Attraction of Capital.

In almost all countries in the world there existed in greater or lesser degree the habit of hoarding gold and silver when the agricultural labourer and other classes were illiterate and less educated, and had no means or facilities available to profitably employ their savings. This habit has been fast disappearing in many countries due to the introduction of primary education. Better ideas now prevail.

The agricultural class, as a whole, are ignorant, conservative and heavily indebted to money-lenders. By the spread of primary education in our province and by extending facilities for investment at their door,

the masses, in course of time, may confidently be expected to get rid of the hoarding habit. The social and religious customs prevalent among the educated as well as illiterate classes are responsible to a considerable extent for their going in for unproductive investments in gold and silver. Heavy expenses are incurred during social and religious ceremonies and gold and silver are freely made use of for the purpose of being converted into ornaments. Debts incurred on such occasions at prohibitive rates of interest further reduce the saving capacity of the people. It is the permanent duty of the social reformers to improve matters by preaching correct ideas regarding social and religious rites and customs, which is sure to go a long way towards improving the financial condition of the people.

Modern banking and investment habit is of very slow growth, the main reason being want of education among the masses. It will not be possible for them to give up their hoarding habit unless they understand that they can safely and profitably deposit their money with banks or invest them in Government securities or in industrial concerns.

In small towns and villages people have facility to deposit their savings with a post office, which in many cases is located at a considerable distance. Being not literate, they can hardly appreciate the necessity of the formalities for deposits and withdrawals, while those in charge of post offices—alive to their own responsibilities—insist on all such formalities, and this instead of attracting deposits with Government through post offices or Cash Certificates, scares away the villagers, who are forced to convert their savings in gold or silver or to entrust them to the village money-lenders. The trust in the money-lenders is principally due to his being able to return their moneys, whenever required, without any formalities.

Compulsory education among the masses and greater opportunities to deposit their savings should be instrumental in bringing out the hoarded wealth. It will take years for the enormous wealth buried underground and retained in the form of jewellery to be drawn out and profitably invested for the development of the country's resources. It will be through the Banks that this hoarded wealth will be made to circulate for the benefit of the country's trade, commerce and industry.

11.

Mr. Kalipada Maitra, Subdivisional Officer, Arambagh, district Hooghly.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—Before I proceed to describe the present system by which the agriculturists in this subdivision obtain finance, I venture to add a preliminary note. This subdivision is so very isolated and inaccessible that the conditions prevailing in this area are still primitive and the people are so very conservative in their ways that they are hardly affected by any wave of industrialism or banking. Agriculture as a profession is still pursued by many Brahmins, Kayasthas, Telis, who along with the Sadgopes, Mahisyas and Bagdis cheerfully look after their own lands and, if need be, help in sowing, harvesting and even ploughing. They store up the whole of the produce and dispose of them not at a time but as occasion demands. Almost every good cultivator with sufficient lands has got granaries of his own. There

are 3 or 4 families which can boast of having over Rs. 50,000 worth of paddy stored. This wealth is almost indestructible. The paddy in the "morai" (granary), as it is made here, cannot catch fire. There is no Nor'wester here to break the *morai* and scatter its contents. Even a thief cannot take much at a time. When a cultivator is in need, he sells several maunds and meets his want. He does not sell his whole stock at a time. Nor is there any railway or steamer or good cart roads for transport of the whole stock of a big cultivator at a time. If 70 per cent. of the population live on agriculture, a good 30 per cent. have got their own stock of paddy. Of the remaining 40 per cent., 15 per cent. make their two ends meet at all times. The difficulty is with the remaining 25 per cent. or a fourth of the entire population. They have got no stock to fall back upon in times of need. They are borrowing in non-harvest time to pay back again on harvest. There is not professional beggar in this subdivision. There is a general dearth of agricultural labourers and the Santhals from the neighbouring district of Bankura supply the want.

If the people are thrifty, it is because the local circumstances demand it and force them to this thrift. The low-lying lands are so much affected by the floods that they can hardly reap three, if not two, consecutive harvests successfully. So they must provide themselves against the rainy day. The uplands are rather barren and do not yield much unless the soil is heavily manured at a great cost.

(i) (a) and (c) Recurring expenses of cultivation, i.e., labour, manure, rent, etc., they meet by sale of the accumulated stock of paddy or borrowing from the more solvent and thrifty neighbours. Co-operative movement was unknown here two years ago. Only a beginning has now been made and it will take a long time before this movement can gain a footing here.

(b) No permanent improvements have been attempted by the agriculturists individually. There are embankments which are built and maintained by the zemindars or by the combined labour of the tenants themselves. No capital has got to be raised for that. There are, of course, certain urgent productive schemes requiring capital but they cannot be taken in hand as they affect the tenants not individually but collectively, e.g., irrigation tank scheme. Even if finance is made available to the people through the Central Co-operative Bank the people won't combine, partly out of ignorance and partly out of a well merited distrust for their neighbours.

(ii) Loans are of two kinds—(a) paddy and (b) cash.

A maund of paddy taken before harvest will carry an interest of 10 seers if paid after the first winter harvest and of 22½ seers if paid after the second winter harvest. The interest is added to the principal after each year.

Rate of interest on cash advances vary according to the amount advanced, nature of security and period of the loan, etc. Professional money-lenders will demand Re. 1-9 to Rs. 2 per cent. per month up to Rs. 100 and Re. 1 to Rs. 2 for sums above Rs. 100 if the loan is taken on the security of gold, silver or land. The rate of hatchitas and handnotes is at Re. 1-9 or more per month. Other unprotected advances bear an interest at Rs. 2 to Rs. 3-2 per month in case of persons who have got no means of repayment. In case of persons who have no real property of their own the rates rises yet higher.

There are Kabuli money-lenders who realise annas 2 per rupee. But only insolvents and speculators take risk and the Kabulis know how to realise their dues not through the Courts armed with powers under the Usurious Loans Act but by the help of their inseparable *vade mecum*, the thick clubs which they carry.

The percentage of secured and unsecured loans to the agriculturists here is half and half—taking into account the paddy loan in calculating the total.

(iii) In course of the last 5 years, Government advanced Rs. 9,000. The money so advanced was utilised by the agriculturists not for any bona fide agricultural purpose but simply to feed themselves in emergencies. No advances have been made by the Imperial Bank of India. There are no Joint Stock Banks or indigenous Banks in this area. Twenty Co-operative Rural Banks with a Central Co-operative Bank have come into being recently. They have advanced some Rs. 50,000 up-to-date. The existence of this financial agency is yet to be felt by the agriculturists who are still in the grip of the professional money-lenders. As the incidence of indebtedness in this inaccessible region is not yet high and the rate of interest still rules rather low, the professional money-lenders here with all the faults inherent to their class are not really so very black as they are found or painted elsewhere. The credit for this, if any, is due not to the virtues of these professionals but to the peculiar circumstances of this unchanging and conservative area. No companies trading in fertilisers have succeeded in penetrating into this area and to leave any agency here.

(iv) An estimate of the total amount of capital required to finance the requirements of agriculture is now more a matter of conjecture than of mathematical calculation as there is no correct data to work upon. There are 68,930 families in this subdivision and I have said that 25 per cent. of the total need financing. The incidence of their need varies also. Roughly calculating the average need at Rs. 150 per indebted family, the total comes to Rs. 25,86,300. Now this total is the total on all heads including cost of litigation, marriage, *sradh*, rent, house-building, etc. If this total is to be reduced to the head of agriculture only it will have to be reduced to an eighth or to Rs. 2,23,287 or less than Rs. 2 per head of the agricultural population (leaving aside 30 per cent. of the people who are not agriculturists).

(v) This question as framed is difficult to deal with for an area like mine, where the cultivator has got one general fund out of which he pays his rent, buys his manures, pays the Santhals for their labour, builds his house, pays his debtors, grocer and cloth supplier. When he borrows, he borrows to replenish this general fund. The first and foremost charge on land is its rent. But it is not paid till the last, whereas the grocer and the cloth supplier's bills are in practice first paid out of the agricultural income. The first need is separation of finances.

The first defect in the present system of financing agriculture is the absence of any State or Public Agency in advancing money. An agriculturist in his embarrassment does not know whom to approach. He is driven to the professional money-lenders who begin haggling over the rate and terms. The more needy a man is, the greater is the rate to which he agrees to submit. I would advocate starting of

experimental land mortgage banks by the State or extension of co-operative movement on more practical lines. I venture to think that the present policy of the Co-operative Department will have no place in an area like this where secured loans are still available at Re. 1 against a rate of Re. 1-1 of the Co-operative Rural Banks. The principle of unlimited liability is quite good in itself but as there is no means of realising the dues of an undesirable member by the certificate procedure, there is a considerable reluctance among the honest and solvent people to join the co-operative movement.

(vi) There is no co-ordination among the various credit agencies. Nor can there be any so long as one agency vies with another in the race of raising the rates. What is wanted is a net work of Thana Banks organised and financed by the State out of a debenture loan raised for this specific purpose so that the agriculturists might get their loans at a rate not exceeding 9 per cent. The present money-lenders will have to be given a chance of investing their money in these banks at a rate of 6 per cent. While the operation of these State Banks will be limited to the cases of loans on security of landed properties, the scope of the Co-operative Societies should be limited to loans on the personal security of the co-villagers on a joint liability basis. The private money-lenders may be left free to advance to those who cannot pledge either their real property or credit and security of their co-villagers. It is by this process of division and distribution of activities and co-ordination of energies that some result can be achieved. I will dilate my point in connection with my scheme of Land Mortgage Banks.

Question 2.—(i) The principal crops in this area are (1) paddy, (2) potato, (3) sugarcane, (4) onions, garlic and other vegetables, and (5) jute.

As already stated, absence of rail or steamer or even regular cart service is a great impediment to agricultural transport. The sale price of these commodities differs at the rate of at least annas 8 per maund from the rate at Champadanga or Tarkeswar, the nearest railway terminus. The cultivators do store up the paddy in granaries and sell them during the rains when the floods come in and boats begin to penetrate into the interior. But potato is perishable and is not so held up and for this want of transport facilities, the farmers suffer at annas 8 per maund. The case of sugarcane molasses is worse. The cost and risk in its transport are greater. The cultivators lose at Re. 1 per maund. It cannot be held up till the rains for it will ferment. Onion, garlic and jute are held up only if there is sufficient accommodation for their storage. But the other vegetables are worse than potatoes and are to be disposed of more quickly.

(ii) So long as the problem of agricultural transport is not solved co-operative effort in marketing the produce will be hardly successful. In case of paddy, Co-operative Sale Societies can certainly be organised, but, as stated in my preliminary note, there is a considerable disinclination among the cultivators to dispose of their stock of paddy which is their indestructible wealth and which they would insist on preserving against a lean year. Still I think there is room for activities in this direction though the margin of profit, in view of the difficulties of transport, may not be tempting.

(iii) There is no Co-operative Sale Society in this area.

(iv) What are required here are transport facilities and not so much of credit facilities.

(v) Does not arise.

(vi) It is often asserted that a jute grower in Bengal does not get the full value of his produce in India on account of the speculative buying and selling activities of farmers or companies who deal in the export trade and on account of the control of prices of these and other bodies. I am inclined to believe in the truth of this assertion. But my own evidence on this point will be of the nature of a hearsay. In 1914, I was at Narayanganj and saw jute selling at Rs. 3 to Rs. 6 per maund. No buyer would offer a higher rate. The Eastern Bengal cultivators are not thrifty; so they had to sell away most of the stock and did not get the value of their labour even. But I am told that the mill owners and balers made a great profit. This was of course in war time. But I am told that even after the termination of the war the same procedure was repeated though the producers were given a bit more. Then again as the speculators make a forward contract even before the jute is grown they send out their beparies and middlemen who go round the needy cultivators and make advances on the condition of their selling their prospective crop at a very low rate. This is quite legal and in a way helps the cultivators in time of dire need but it deprives them of the full value of their crop in the end.

This is a big affair and the solution is not easy. Jute Sale Societies, if organised properly and worked by honest people, ought to go a great way in mitigating the hardship.

(vii) Money-orders, supply bills and hundis are now the principal facilities for internal remittances.

(ix) Fee or commission for transmitting money-orders is very high. It ought to be halved for sums exceeding Rs. 100. Excepting the big European merchants very few avail themselves of the supply bill facilities. It may be made issuable from and payable at Sub-Treasuries at a rate not exceeding the cost of sending per insured post. One Central Co-operative Bank should be allowed to draw bills on another Central Co-operative Bank, if not on a Treasury or Sub-Treasury, the rate of premium being the same as fee for postal insurance.

(xi) Not beyond what I have said in reply to (ix).

(xiii) I would certainly prefer to see the hundis on standardised printed forms with one anna stamp embossed in the shape of the old Bank cheques. These non-judicial stamps may be issued from all stamp depôts to the local stamp vendors or through the Post Offices.

(xvii) I know only of bills of lading and challans of well-known merchants.

(xviii) I have not heard of any Inland Steamship Navigation Company issuing a bogus receipt. But my experience is limited and perhaps out of date. I would, however, note that if any one wants to cheat or defraud another there are various ways and bills of lading even of Eastern Bengal Railway and East Indian Railway might as well be fabricated.

(xix) I have no idea of the system of licensed warehouse as prevailing in the United States of America.

(xv) Does not arise.

Question 3.—(i) and (ii) The value of the land on this area, as in many other areas, differs not with the crop but with the productivity of the soil, irrigation facilities, rent charges, etc. An acre of best paddy land now will cost Rs. 700 but the same area of land growing a poor paddy crop can be had for Rs. 75. The latter will yield 7 or 8 maunds of paddy a year, landlord charging Rs. 24 as annual rent (I doubt if there are such high rents anywhere else in Bengal excepting in Howrah). But the former is rent-free or held at a quit rent and will yield some 50 or 60 maunds a year. Taking into consideration the capitalised value of the rent paid for the land yielding only one-seventh of the full crop, the costly land will be found to be very cheap. Similarly potato fields yield from 60 to 210 maunds per acre according to the quality of the soil and its irrigation facilities. The poor soil of the Trans-Darakeswar area will only produce country potatoes priced at Re. 1 to Re. 1-8 per maund while the spill area of the Damodar will yield best Nainital variety. The value of the produce in one case is Rs. 75 while it is Rs. 630 in the other. So the sale prices will naturally vary from Rs. 90 to 900 per acre. I doubt if land values differ so widely in other areas.

These are of course the values when settled by private negotiations and under normal conditions.

Question (ii) (a) is rather loosely worded. If it means sale for arrears of land revenue I would say that lands in Bengal are hardly held by the proprietors in their khas possession (excepting, of course, in Noabad areas of Chittagong). So these revenue sales do not prove anything in areas where there are no peasant proprietors. If the term "revenue" has been put loosely for "rent" payable by the khasmahal raiyats the question will be more intelligible. But the khasmahal area in this district as in most others (barring Midnapore, Bakarganj, Jalpaiguri, Chittagong, Noakhali and Faridpur) is so small and unrepresentative and actual sales under the Public Demands Recovery Act are so very rare that there are no available data to form the basis of calculation. Nor can the sales in execution of Civil Court decrees form the standard of calculation. If the sale is held in execution of a money decree it may not fetch the real value, for the land might be already mortgaged twice over. A sale in execution of a real rent decree will certainly be a bit more conclusive but there might be an occupancy under-raiyat for the area. Then again if the ryot's homestead is in the same holding very few persons will bid freely at the auction. So I venture to think that the revenue, certificate and Civil Court sales can never form the basis of calculating the land values.

Question 4.—(i) Now there is no more legal impediment to mortgage holdings of occupancy raiyats but the non-occupancy raiyats and non-agricultural tenants are not still free unless there is a positive contract permitting them to mortgage.

(ii) The amended Bengal Tenancy Act by legalising and validating the sale and mortgage of occupancy raiyats and under-raiyats has certainly ensured the position of the purchasers and mortgagees and has thus stabilised the credit of the agriculturists, but in many areas landlords including Government (Contai Khasmahals) never charged any transfer fee before. As the purchasers will have now to pay this fee and other incidental fees the net value of the land will suffer and with it the credit of the agriculturists will fall comparatively.

(iii) The smallness and fragmentation of holdings certainly diminish their value. It has been the bane of our land system. But the amended Bengal Tenancy Act by facilitating exchange of land has paved the way towards their consolidation and consequent increase in value. But I am not clear how it can stand in the way of establishing long-term credit institutions. Let me take a concrete case. A mortgages his one bigha plot to a bank for a period of 30 years. In course of this period A dies and his ten sons subdivide the plot into ten small sub-plots of 2 cottah each. A 2-cottah plot, if purchased by a third party, will hardly fetch one-tenth of the value of the whole plot. But to the Mortgage Bank the whole of the one bigha forms but one unit for which all the sons and grandsons are jointly liable. If it is to be sold at all the whole of it will pass at a time. So I for one do not foresee any difficulty. The supposed difficulty might arise in case of a short-term loan, say for 5 years. A Muhammādan dies leaving seven sons and seven daughters and two wives or 16 heirs and if they proceed to subdivide the land the difficulties and disadvantages will be greater and not less. So I do not quite see the point.

(iv) There is no Land Mortgage Bank or any Agricultural Banks save and except the Co-operative Banks recently started.

(v) Does not arise.

(vi) In my reply to question 1 (vi), I have urged the necessity of starting Land Mortgage Banks organised and financed by the State not only to facilitate agricultural finance but to curb the nefarious activities of the professional money-lenders who pitch their rate of interest to any amount. I would have such a Bank for each Revenue Thana (or police-station wherever necessary). These Thana Banks would finance the agriculturists direct at 9 per cent. per annum. This low rate by itself will attract the cultivators who will thus cease to go to the professionals. A cultivator will be first helped by these State Banks to pay up his previous mortgages, if any, re-mortgaging all to the State Bank which will make necessary advances for the purpose. It may be argued that a rate of 9 per cent. as proposed by me is too low to make the business paying. But the primary object is not to make a lucrative business out of it by ousting the professional money-lenders but to help the agriculturists and to help them on such terms that the State may not lose by it. It is perhaps not difficult for the State to raise a debenture loan at 5 per cent. to 6 per cent. to finance these Banks experimentally. The margin of 3 per cent. to 4 per cent. ought to cover the working expenses of these Banks and also to make up for the loss, if any, in exceptional cases. These Banks should be authorised to take deposits from the local money-lenders at a rate not exceeding 6 per cent. This will go to a great extent to placate the professional money-lenders. These Banks should not, however, advance to those who have no lands to pledge for the purpose. The Co-operative Department might take charge of such men. I would add that unless the Land Mortgage Bank movement is made a pure State business, at any rate to start with, it won't inspire sufficient confidence in the investors, debenture-holders and the debtors. When the business is firmly established and its success is known to all, Government, if necessary, might withdraw from the field leaving the same in charge of the co-operative workers.

(vii) (a) Unless the record-of-rights is revised once in a generation, it is of no value for the purpose. The records of Bakarganj district

finally published some 25 years ago are now almost out of date. Cost of this revision which is necessary for revenue and other purposes should not, however, certainly be debited against this Land Mortgage Banks. The cost should be apportioned and borne as in cases of Revisional Settlements in the permanently settled districts in the province of Bihar and Orissa.

(b) It is certainly necessary to simplify the process of foreclosure and sale. The outstanding demand unpaid is a public demand and should be recovered as such under the Public Demands Recovery Act which may, however, be amended to shorten the period now allowed for objection, etc.

(c) A reference to the record-of-rights ought not to cost anything for the following reason. One complete set of record-of-rights is now kept in the Subdivisional Officer's office and another set in the Munsif's Court. In practice they are hardly consulted by the Munsifs. In fact, they cannot look into them legally if a certified copy is not filed. I would transfer this set to the Thana Land Mortgage Bank. Similarly registration of records, i.e., the bonds, need not cost anything if the officer in charge of the Bank is appointed a Sub-Registrar *ex-officio* for the purpose. Then again, if anything is spent in litigation against a defaulter it will be realisable from him. It is not clear why the burden of cost will fall on the good constituents of the Bank.

(viii) As already stated, I would finance these Banks out of a debenture loan of 5 per cent. to 6 per cent. raised by the Provincial Government on the hypothecation of the Provincial Revenue. I would accept local deposits at a higher rate than deposits of recognised bankers.

(ix) As said before I would make it a full-fledged State Bank and a concern of the State. If the work devolves upon the Provincial Co-operative Bank or even the Imperial Bank they would not agree to advance to the individuals at 9 per cent. If a higher rate is fixed the whole object will be frustrated. So these debenture loan bonds must have the sanctity of Government promissory note with the only difference that the Provincial and not the Central Government will be responsible for this affair.

(x) and (xi) I have already outlined my proposal and I have said if the money is raised at 5 per cent. to 6 per cent. and given out at 9 per cent. it ought to leave a sufficient margin to cover working expenses and loss. If the rate is higher than 9 per cent. the Banks won't prosper, at any rate in this area. The condition of jute-growing and unthrifty Eastern Bengal is quite different. Perhaps it is possible to fix 12 per cent. rate there but there ought to be a fixed and uniform rate for the province as a whole.

(xii) I would keep the State Land Mortgage Banks and Co-operative Land Mortgage Banks quite separate. The latter may invest money at 5 to 6 per cent. but nothing more for the present and as already indicated under (vi) these co-operative Banks might be called upon finally to take over these Land Mortgage Banks from the care of the State.

(xiii) I would strongly urge the adoption of my scheme of the State Banks for Land Mortgage as indicated above as distinguished from the proposed scheme.

Question 5.—(i) The statistics of agricultural indebtedness were collected by the late Mr. J. C. Jack, Settlement Officer of Faridpur, in

course of the Settlement operation in that district. The figures were incorporated in his book "Economic Life of a Bengali District." In connection with the Settlement operations of Nadia district, economic survey was undertaken in respect of certain particular villages only.

(iii) and (iv) This economic survey can only be arranged in connection with the Settlement operations of a district when the Kanungo goes from house to house questioning the householder on all points. But the householders are not bound by law to disclose their indebtedness or to specify details. While a cultivator's total indebtedness may be roughly estimated by questioning his neighbour, the details contemplated in questions (iii) and (iv) will not be available unless the cultivator himself supplies them. Then, again, to specify the purpose of a particular loan is not always possible for the cultivator himself for, as said before in reply to question 1 (v), the cultivator has a general fund to meet all his needs. When he borrows he borrows to replenish this general fund. The expenditure on litigation, marriages and social occasions can, of course, be differentiated in most cases.

(v) This can only be answered if and when the economic survey is made. It will no doubt be found that the debt is largely due to the indigenous banks and professional money-lenders.

(vi) The agricultural indebtedness is certainly on the increase. The cultivators have of late created many demands for themselves. They cannot always meet them from the sale proceeds of their crops.

(vii) The operation of the Land Improvement Loans Act is not known to this area. Agriculturists' Loans Act is in practice applied in times of scarcity only.

(viii) The operations of these Acts, when applied, are certainly very prompt even now. The only difficulty is that it is not possible to get enough for the purpose out of the ordinary Provincial Revenue.

(ix) Yes, there are Kabulis here to advance to those who have no credit of any sort. These indispensable scoundrels advance at an interest of annas 2 per rupee per month. They do not, rather cannot, come to Court for they believe in the "Law of Lathi."

(x) There is a money-lender here of the name of (a) Hem Chandra Ray who advanced Rs. 70 to one Upendra Nath Roy at 6 pies per rupee per month. The man could not pay up in 7 years and after that term a fresh bond was taken calculating the accumulated interest as capital. After 4 years the bond was again renewed; still the man failed to pay. The bond was renewed afresh. Hem Rai then sued the debtor in Court and the Court could not but grant a decree for the amount specified in the bond together with 12 per cent. interest on the principal mentioned in the last bond. The total amount decreed came to about 700 rupees in $7+4+3=14$ years' time.

(b) One Amrita Lal Mukherjee of Nabasan lent Rs. 200 to the nephew of my orderly, at 24 per cent. per annum with compound interest every quarter. In eight years' time it has grown Rs. 1,200.

(c) Amrita's brother Mati lent 4 maunds of paddy worth Rs. 12 to a Bagdi. The condition as usual was that if not paid, it will grow 25 per cent. each year. In eight years' time it has mounted up to 24

maunds. He now demands value of 24 maunds at Rs. 4 per maund. or Rs. 96, i.e., eight times the value in eight years.

(xi) Act X of 1918 has no application in case of the old contracts superseded by bonds taken 6 years ago on fresh terms as shown in the case quoted above. The Act is hardly used by the Courts particularly when the creditor and debtor come to terms and file a Solenama agreeing to instalments. The provisions of the Act are discretionary and not mandatory.

(xii) Yes, in theory.

(xiii) Yes.

(xiv) In normal times the cultivator hardly needs help to get his seeds excepting for special crops. These seeds hardly cost much and are readily available. No special action appears to be necessary. It is difficult to arrange for supply of paddy except on a co-operative basis. But there is every risk in the transaction. It is perhaps much better that the cultivators would take advances in cash and make their own arrangements for purchase of paddy which is available everywhere.

(xv) Twenty-five per cent. of the principal if given back after the first harvest. In the second year the interest is added to the principal and 25 of the total is charged and the same process of adding the interest to the principal goes on.

(xvi) The rates vary from Re. 1 to Rs. 2 per 100 rupee per month on secured loans. For unsecured loans it varies and goes up to Rs. 3-2 per month or $37\frac{1}{2}$ per cent. per annum. The Kabulis as stated charge annas 2 per rupee per month or Re. 1-8 per rupee per year, i.e., 150 per cent. In most cases the interest is added to the principal after a year or 6 months and in rare cases every quarter. The shrewd money-lenders never ask for repayment but get a new bond and the money goes on accumulating and they come to Court when the previous bonds are beyond the reach of the Court under Proviso (i) to section 3 of Act X of 1918. Of course, many pay up punctually of their own accord sometimes against the wishes of the money-lenders. In many cases again, the debtors are more clever and vicious than the creditors and successfully establish plea of payment in Court though in reality they never pay. Sometimes, again, the creditors are almost at the mercy of the debtors. There are two sides of every shield.

(xvii) Certainly lands are passing more and more into the hands of the money-lenders. The amendments of the Bengal Tenancy Act will facilitate this all the more. It is feared that a generation hence a good percentage of the present set of tenants will be found tilling their own lands on half the produce system under their money-lenders or auction-purchasers. This is perhaps an inevitable corollary to validating the Raiyati sales coupled with repeal of section 40 and amendment of the definition of a "tenant." This will happen all the more in Eastern Bengal where the cultivators are not thrifty.

(xviii) This process has just begun or is about to begin in an appreciable degree but that is no reason why the cultivator should not take the same care for his land as before. If he neglects his land the purchase money will be less. So it is in his own interest to improve the land so long as he holds it and expects a price for it.

Question 6.—(i) (a) There are 22 rice mills; 19 with oil engines and 3 with steam engines for paddy husking in this area.

(b) Gur-making is going on in almost every sugarcane-growing village. There are 10 to 20 sugarcane-crushing apparatuses in each of the more important villages.

(ii) Old and conservative as I am, I, for one, think that these rice mills are doing some harm to the country women folk. They have given up paddy husking but have not taken up any work instead. It is putting a premium on their growing laziness and incapacity. The Department of Public Health are of opinion that the rice made by these mills have brought beri-beri.

(iii) Lac manufacture, rearing of silk worm, rope making, gardening, etc., might present new fields for their activities in the slack season. If possible, they might take up spinning and weaving to make their own dhuties and sharies to clothe themselves. I have seen my grandmother and even my mother to spin. Not long ago I saw the mother of an I. C. S. to spin and weave her own shari. The women in the countryside can certainly follow them.

(iv) These cotton industries will hardly need much capital. If it is at all required it will have to be secured in the way plough cattle and manure are purchased.

Question 6A.—(i) There is no common process. Different means have been adopted in different cases: raising of capital on share basis, borrowing from Banks and advances by the organisers and speculators, etc. But I do not know of very many such industries which have survived the first effervescence of enthusiasm of the promoters.

(ii) It is a big problem after the failure of the State Aid to Industries Bill.

Question 6B.—(i) There is no special facility. In fact they are under a disability and have got to submit to higher rates of interests compared with the raiyats.

(ii) They borrow for all sorts of emergencies—marriage, education, household requirement, etc. The unsecured loans always bear a higher rate of interest. But it is not more than double ordinarily.

(iv) Indebtedness is generally on the increase on all sides excepting perhaps among the fishermen who have now learnt to combine and to aim at a monopoly and among the educated sections of the so-called backward communities. The more the backward classes are getting education and entering service and profession, the more of the middle class gentlemen are being ousted adding to the list of unemployed. So amongst the middle classes indebtedness and misery are growing acute and with them a spirit of despondency and disaffection.

Question 7A.—(i) Co-operative Banks have been recently started in this area and as usual they are meeting with the opposition of the interested money-lenders. The existence of these Banks have already produced a moral effect. The professional money-lenders have already moderated their tone.

(ii) It is too early to pronounce any opinion yet.

(iii) As unsecured loans are available here at Re. 1 per Rs. 100, particularly if the amount advanced is over Rs. 100, the Co-operative Societies

rate of Re. 1-1 is not tempting enough for the cultivators to combine and to take the risk of a joint and unlimited liability. Then again so long as the rural societies are not authorised to realise the dues of an undesirable or bad defaulting member by duress there can be but little progress from the point of view of banking. It may be a bad co-operative principle but it has become necessary.

Part I (A).—Loan Offices and Joint Stock Banks in the Mufassal.

Question 7.—There is no loan office or Joint Stock Bank in this subdivision.

12.

Mr. P. Mitra, Sadar Subdivisional Officer, Howrah.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) to (c) The agriculturists borrow money for cultivation expenses, payment of land revenue and rent as also in the event of the failure of monsoon, from the money-lenders living in the village or in the neighbouring villages. For small amounts, the money-lenders take hat-chittas or hand-notes and where the borrower has proved his credit no hand-note even is taken. Where the borrower is lacking in credit, registered bond is taken and where the amounts are considerably large or the money-lender is very cautious, lands are required to be mortgaged or ornaments pawned.

The agriculturists have neither organisation nor funds for permanent improvements and wherever any work of improvement has been undertaken, it has been done by Government and the expenses have subsequently been recovered from the landlords and tenants benefited by the works.

(ii) The rates on interest vary from 12 to 37½ per cent. according to the locality, parties concerned and the needs of borrower, etc. Small amounts are borrowed generally for 4 to 6 months and paid off after the next harvest of paddy or jute. The money-lender lends on the strength of hand-notes or bonds. Standing crops are not given as security, but the understanding usually is that the loan will be paid after the crops are harvested and sold.

Secured loans are approximately 90 per cent.

Unsecured loans are approximately 10 per cent.

(iii) There is no organisation here to finance the agriculturists on behalf of the Imperial Bank of India and the joint-stock banks. There are no indigenous banks or bankers and the Co-operative Banks are rather few.

The professional money-lenders are practically the only source to finance the agriculturists. Merchants and dealers play a small part. The cultivators approach Government for agricultural loans only in the event of a serious calamity, i.e., if crops fail for flood or drought.

(iv) Roughly speaking rupees ten lacs may be estimated as the total amount of capital required for various purposes in the Sadar Subdivision of Howrah district.

(r) The spirit of co-operation amongst the agriculturists to help one another in agricultural operations and harvest has died in the villages. There is almost no co-operative organisation. Illiteracy reigns supreme and there is no field for the agriculturists to learn co-operative principles. The result is that whenever money is wanted the cultivator has to approach the money-lenders, many of whom are unscrupulous.

Education and formation of co-operative credit societies almost in each village are required if the conditions of the agriculturists are to be improved.

(vi) It has been observed already that there are few co-operative credit societies and that there are no other credit agencies in this area except the money-lenders. There is no co-ordination amongst the money-lenders.

There are money-lenders almost in every village, each having certain borrowers in his fold, who have little chance of escaping from his clutches. He is anxious for his high rate of interest and he has no concern for the needs of the borrower. The situation can only be improved if the money-lenders can be induced to work collectively by forming Loan Banks.

Question 2. (i) The principal crops—rice, potato, jute, etc., are taken by the cultivators to the local hats for sale. Dealers in jute and paddy generally purchase at the doors of the cultivators and take them to the nearest arat for sale. Big merchants purchase the crops from the Arat-dars and in many cases the Arat-dars or big dealers themselves take the crops from the cultivators to distant places outside the Subdivisions by rail or boat.

Majority of the cultivators are unable to hold up their crops for better price on account of the pressure of maintaining their families, payment of rents and re-payment of loans, etc. Appearance of dealers with cash money at the door is also a factor that tempts the cultivator to sell.

(ii) The possibilities of co-operative efforts in marketing produce are great, but no attempts have hitherto been made in this direction.

(iii) There are no Co-operative Sale Societies in the Sadar Sub-division of Howrah district.

(iv) Formation of Co-operative Sale Societies will prove useful in this area. No facilities exist at present.

(v) (a) The merchants and dealers purchase produce from the cultivators either at their doors or in hats and send them by rail, carts or boats to Calcutta or other centres for sale. The financing of the export trade of produce is thus done exclusively by merchants and traders.

(vi) (b) Articles, imported into hats by merchants for use by the consumers in the villages, are principally cloths and articles of daily necessity, such as salt, sugar, oil, etc. The shop-keepers purchase these things from Calcutta and take them in by rail, boats or carts. Finally the consumers purchase the articles from the shop-keepers.

(vii) (c) Big merchants and traders as well as many shop-keepers carry on the export and import trade with their own funds and do not experience any difficulty in financing. Petty shop-keepers, who have

credit, purchase from the big dealers on credit and pay up according to contracts. Others borrow from money-lenders and carry on the trade.

(vi) (d) It is certain that growers of produce in India do not get the full value of their produce. The most important example is the jute trade in Bengal. The cultivators cannot hold on in order to meet their necessities and they have no organisation to help them to secure a better price. The market is accordingly controlled by the mill-owners and big merchants.

If co-operative sale societies are established and these societies keep information as to prices in foreign markets, a better return to the growers of produce might be assured. The societies should pay a certain price to the growers at the time the produce is harvested over and the remaining price may be paid after disposing of the produce at the highest price.

(vii) It seems that the position of monopoly that the buyers enjoy, specially in jute, has something to do with the matter.

(viii) Postal money orders and insured covers, besides sending money by agents.

(ix) Sending money by postal money order or insurance, as also by agents is experienced in many cases. When co-operative banking succeeds sufficiently well, cheque system might be adopted.

(x) to (xx) These facilities do not at present exist in the rural area of the Sadar subdivision of Howrah district.

Question 3. (i) Rupees 300 to Rs. 1,500 per acre.

(ii) The factors affecting such value are:—

- (1) rent-paying or rent-free lands,
- (2) lands yielding one or more crops,
- (3) fertility of the soil,
- (4) risks or otherwise of inundation,
- (5) proximity to railways or navigable khals, and
- (6) proximity to suburban or mill areas.

(a) the value depends on the extent of publicity given and the degree of local influence the intending bidders have on the other likely bidders.

(b) Ditto.

(c) proper value is generally obtained in case of sale by private negotiations, but even then it is ruled by the necessity and the means of the seller and the buyer.

Question 4. (i) Under the Bengal Tenancy Act, a landlord is not bound to recognize the usufructuary mortgagee of an occupancy holding. This is an impediment no doubt on the part of the raiyat to mortgage his land but generally the raiyats do not find any difficulty in mortgaging their lands, when necessity arises.

(ii) Occupancy right has become transferable under the Bengal Tenancy Act and this has increased the credit of the agriculturists.

(iii) As a general rule, the tenants of Bengal do not appreciate the inconvenience of fragmentation of holdings. If long term credit institutions are established serious difficulty is not expected.

(iv) No, there are only a few co-operative credit societies in the Sadar subdivision of Howrah district.

(v) The method of work and raising capital in the co-operative societies is the same as in similar societies elsewhere.

(vi) Long term credit societies on co-operative basis should be established on a larger scale.

(vii) (a) The record-of-rights, after it is finally published, has a presumptive value of correctness. So it cannot avoid the disputes and counter claims of other parties. This may be avoided if legislation is done giving finality to the record-of-rights as to one's title to the lands though it is doubtful whether the legislators will agree to this.

(vii) (b) No action seems needed, because if a mortgage bank can foreclose in the event of mere non-payment the interests of the loanees will suffer, for, there may be cases where non-payment is due to circumstances and not intentional.

(vii) (c) Where record-of-rights has been prepared a true copy of the same should be filed by the loanee with his application for loan for ready reference. Action may also be taken to charge a nominal fee for taking certified copies of the records-of-rights as well as for registration of documents by the loanee.

(viii) Co-operative credit societies with powers to give long term loans are recommended in place of Mortgage Banks.

Both the co-operative credit societies and mortgage banks may derive their capital from (a) deposits (b) funds of central institutions and (c) debenture bonds.

(ix) and (x) No Government guarantee seems necessary.

(xi) The agricultural banks should raise money at an interest of 6 per cent. per annum and lend money at an interest of 9 per cent. per annum.

Question 5. (i) (a) to (i) These are the common purposes for which loans are taken.

(r) To professional money-lenders in the rural area of the Sadar subdivision of the Howrah district.

(ri) The agricultural indebtedness is reported to be increasing.

(vii) Advances under the Agriculturists' Loans Act are generally given after severe calamity, such as flood or drought. Very little money is advanced under the L. I. Loans Act. Consequently the needs of the cultivators are not met by these Acts.

(viii) More allotments are needed under the L. I. Loans Act and the Agriculturists' Loans Act and there should be officers in the Collectorate to make prompt enquiries, when loans under these Acts are asked for.

(ix) The Kabulis are becoming rarer in the rural areas.

(xiii) No specific instance can be quoted, but there is a tendency to take bond for a larger amount than is actually advanced to the debtor.

(xiv) Paddy golas on co-operative lines may be useful.

(xv) Twenty-five to 50 per cent.

(xvi) Rates of interest on cash advances are 12 to 37½ per cent. In case of failure of payment within the time fixed, compound interest is calculated and if the debtor fails to pay, payment is enforced by suits.

(xvii) A fair number of holdings, if not large, are passing into the hands of creditors.

(xviii) When a holding passes from the cultivator to a money-lender and the cultivator becomes a sub-tenant, he generally loses incentive to produce more and to use his holding in a better manner.

Question 6. (i) Rice-milling, gur-making, garden-produce, weaving, embroidery, hooka-making, brass lock-making, etc., in the rural area of the Sadar subdivision of Howrah.

(ii) Industrial co-operative societies might be started for financing these industries as well as for providing facilities to send the articles abroad for securing better price.

(iii) Coir-making, spinning, and endi-culture may be taken as cottage-industry to keep the cultivators engaged in the off season.

(iv) Co-operative credit societies.

(v) Co-operative banks should finance societies.

Question 6B. (i) Landless people experience great difficulties in securing loans. They have to mortgage their homesteads and houses and pawn ornaments to secure a loan.

(ii) Marriage of sons and daughters, sradh ceremonies, educational expenses and household expenses. Rates of interest vary from 25 to 37½ per cent.

(iii) Government, the co-operative banks, joint-stock companies and bankers are not giving them help in any way at present. Money-lenders are their only friends.

(iv) Indebtedness is on the increase.

Question 7. (i) No relation between the few co-operative banks existing in the area and other banks, such as the Imperial Bank of India.

(iii) About 10 lakhs for the Sadar subdivision of Howrah.

(iv) and (v) No competition.

(vi) Yes, the concessions will stimulate the growth of the co-operative societies.

Question 7A. (i) It is better if co-operative central banks advance to the mufassal societies and these societies advance to the individual members and depositors on proper security.

(ii) The scope for investment of funds of the co-operative societies should be enlarged and it is desirable to relax the restrictions.

(iii) There is no objection to free interlending of funds.

(iv) There are no joint-stock banks and loan offices in the rural area of the Sadar subdivision and the number of co-operative credit societies is also few. No relation exists between them.

Question 7B. (i) Co-operative societies, where successful, have lowered the rates of interest but there is no appreciable change in this area, as there are few societies here. Attention of the co-operative department is necessary.

(ii) There has been no replacement of the professional money-lenders as yet, as there are only a few co-operative societies here.

(iii) There have not been serious attempts for spread of the co-operative movement in the rural areas of the Sadar subdivision. Only a few societies were established but they are doing no useful work on account of lack of mutual confidence among the members.

13.

Mr. Kumud Behari Mallik, Subdivisional Officer, Uluberia (Howrah).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) Agriculturists are financed for purposes (a), (b) and (c) mainly by village mahajans or, where co-operative credit societies have been started, partly by such societies.

(ii) Rates vary greatly from 12½ to 75 per cent. per annum. In cases of larger sums and good security, rates varying between 12 to 37½ per cent. are charged; but for smaller sums rates are generally much more. Generally either landed property or jewellery are offered and accepted as security. Loans are not advanced on standing crops.

Sums in excess of Rs. 25 are not generally advanced without security. Percentage of secured and unsecured loans would be about 75 and 25 per cent.

(iii) Except in cases of flood or famine or such other natural catastrophe, Government as a rule does not play any part in agricultural finance. Imperial or other joint-stock banks play practically little or no part in agricultural finance.

The whole business of agricultural finance is in the hands of (1) village mahajans and (2) co-operative credit societies. Mufassal loan offices are also now gradually entering the field and doing a good share of the business. In other parts of Bengal, merchants and dealers also play some part in agricultural finance, generally by advancing money at the time of sowing or on standing crops, but in this subdivision they are not in evidence.

(v) Present system of agricultural finance is no doubt highly defective and offers immense scope for improvement.

The whole business is practically in the hands of village mahajans or such other professional money-lenders. Rates they charge are generally exorbitant and they are neither reported to be honest in their dealings with the poor peasants. Once in their clutches, the raiyats can seldom come out of them. In short, their object in view is to fatten themselves at the cost of raiyats, and with this end in view they will withhold advances at times of great needs or for productive purposes, but will eagerly advance large sums for non-productive purposes.

Such defects can be removed to some extent—

(1) By extensive introduction of co-operative credit societies, but it should also be said that co-operative credit societies in their present

condition can touch only the surface of the problem. If it has got to be of any real use, changes in the Act may be necessary.

(2) By the introduction of land mortgage banks on the lines of Egyptian land banks.

(3) If all the loan companies of the province are better organised under the direction of one federal bank, they may also be of some use in this direction.

This problem of agricultural finance is so vast in this country that no scheme by itself can be thought to be sufficient for the purpose.

(vi) No. Under present condition there is no scope for co-ordination.

Question 2. (i) The present method of marketing the principal crops by raiyats is very simple. In some districts the crops are sold to wholesale dealers even when standing on the field. If not so disposed of, they are brought to the nearest market as soon as it is ready after harvesting. There they are bought either by agents of big firms or small village dealers, who in their turn sell it off to the big dealers.

Very few of the raiyats can hold their crop for a better price. No sooner the harvesting is over, he is called upon to pay off his rents and quota of interest. His landlord or mahajan will be eagerly waiting for this time and will brook no delay in payment after the harvesting is over.

(ii) Co-operative effort in the direction of sale is likely to be of great advantage to the raiyat. This branch of co-operation has been largely neglected in this part. If properly guided, there are possibilities for it.

(iii) There are no such societies.

Question 3. In this part of the district paddy is the principal crop, and value of paddy land per acre varies from Rs. 900 to Rs. 1,500 per acre. Value of the lands fit for growing *pán* leaves is somewhat higher.

Factors affecting value of lands are (1) situation, (2) quality, and (3) right of tenant wishing to sell it. As a general rule, revenue-free lands fetch a higher price than revenue-paying lands.

Lands sold in Government auction or by Court decree fetch a much lower price than lands sold by private negotiations.

Question 4. (i) Practically none.

(ii) The amended Bengal Tenancy Act has no doubt influenced the credit of the agriculturist. It is now easier for him to get loans, but it has also affected him adversely in other respects. The clause making payment of 20 per cent. of the sale money compulsory to the landlord is distinctly against the interest of the tenant for every hundred rupees he now requires; he shall have to provide for Rs. 120 compelling him to sell a larger area of land that was formerly necessary.

(iii) Smallness and fragmentation of holding no doubt stand in the way of long-term credit. The raiyat has nothing but his small piece of land to mortgage and cannot expect to have long-term or sufficient loan over it. In all such cases, the system of co-operative credit is a great boon to the raiyat. It enables him to capitalise his honesty and on the principle of self help and mutual aid, improve his condition. It then creates credit where he has none.

But it must also be admitted that co-operative credit can only touch the fringe of the problem and facilities for long-term and bigger credit are as much necessary to the country. For this purpose land banks of the Egyptian type should be introduced.

Co-operative societies together with such banks may be expected to go a good deal in meeting the problem of indebtedness.

(iv) and (v) At present there are no such banks.

(vi) Attempts are being made by the Co-operative Department for the establishment of land mortgage banks, and bye-laws framed by the department seem to be fairly adequate for the purpose.

(viii) For its working capital the bank should no doubt rely on its deposit and debenture bonds, but it must have full facilities to draw from a central institution, which again shall have recourse to the central money market of the country.

The great defect of the agricultural finance at the present moment is that it cannot draw upon the money market of the country and are consequently always wanting in funds. Arrangements should be made to remedy this defect. Otherwise funds for deposits and debenture bonds cannot always be sufficient to meet the huge demand of agriculture.

(ix) and (x) It would undoubtedly be extremely helpful to this young movement if such bonds carry any Government guarantee either for principal or for interest. A part of the huge sum that is lying with the Secretary of State and is being used in the London money market may be utilised for this purpose. That huge resource has its source chiefly in the fields of the raiyat. It is the part of the sale-proceeds of his crop. And it is not asking too much from the Government to utilise a portion of that reserve in establishing a central institution which will connect the primary banks with the wider money market and guarantee its debenture bonds.

This is, of course, a very big problem and, even if Government agrees, will take some time for materialisation. In the meantime the provisions made in section 53 of the bye-laws for land mortgage banks framed by Co-operative Department are not insufficient for all practical purposes.

Question 5. (i) Yes. The total indebtedness of a village with a population of 300 families is about Rs. 12,000.

(ii) It is really difficult to obtain a fairly accurate figure. All figures must be more or less guess-work. The figure arrived at by examining 100 typical cases for the village and then arriving at an average may fairly approach an accurate estimate.

(iii) Of all debts from 25 to 30 per cent. is unsecured and of those that are secured, three-fourths of the total amount is secured on landed property and only one-fourth on jewellery or other properties.

(iv) In 100 cases I enquired, purposes for which debt was incurred were as follow:—(a) 60 per cent., (b) 60 per cent., (c) 40 per cent., (d) 80 per cent., (e) 15 per cent., (f) nil, (g) 80 per cent., and (h) and (i) nil.

The same man borrowed funds for more than one purpose. Most of the tenants had to borrow cash or paddy for maintaining himself and his family during the period when his crop was in the field, at the time of cultivation and for buying seeds and manure.

The next in importance are repayment of earlier debts and observance of marriage and other social customs. Every raiyat when he comes to age gets as patrimony a share of his father's debts which have been accumulating from the time of his grandfather or even earlier. And he often pays it off by borrowing afresh. It is a common custom amongst peasants to give a dowry to the girl at the time of marriage, which varies from Rs. 150 to Rs. 600. So they invariably go to the village mahajan at the time of marriage.

(v) These debts are mostly due to the village mahajan. Government is conspicuous by its absence in the field, and co-operation has not made much headway in these parts.

(vi) In this part, agricultural indebtedness is gradually decreasing. The establishment of several jute mills in this subdivision has helped a good deal to better the condition of the raiyats, who always supplement their income by working in those mills in their spare time.

(vii) Very little. Loans are advanced under these two Acts only in times of some natural distress such as flood or famine. Even then funds available are insufficient.

(ix) Itinerant money-lenders, such as Kabulis, are not much to be seen in the rural area of this subdivision. They are mostly found in the mill areas. Their modus operandi is too well known to need any description. Interest charged by them is generally 2 annas per rupee per month and they realise this heavy rate simply by threat of physical violence.

(xi) For unsecured loan, interest at the rate of 37½ per cent. is allowed. For all secured loans, rates contracted are allowed.

(xix) Yes. Such cases are not uncommon.

(xiv) This can only be achieved by more intensive and extensive introduction of co-operative methods. Activities of the Co-operative Department have so long been only in the direction of credit, but attempts should also be made in the direction of establishing societies for sale and purchase of seeds and paddy and other requisites of agriculture. Properly guided, such societies will be of greater benefit to the cultivator.

(xv) Prevalent rate of interest of paddy loan is 50 per cent.

(xvii) and (xviii) Though not largely, this process is no doubt in operation to some extent. The slow and steady improvement in the condition of the raiyats in this part has no doubt checked it to some extent. Such transfer of land from the cultivator to the non-cultivating class no doubt works adversely on the agriculture of the country. The raiyat who then tills the land as the *bhagdar* cannot have the same incentive for improvement as before.

Question 6. (a) Rice-milling by steam or oil engine is as yet new. In the whole subdivision there are about four rice mills worked by steam engine. These mills usually employ 50 to 100 coolies, the majority of whom are women. These women formerly used to earn their living by paddy-husking. Instead of husking paddy themselves, they are now working in the mills. It cannot, therefore, be said that these mills in rural areas have opened a new field for employment to the cultivator in off season.

(b) Dairy-farming on business scale is practically non-existent in this part.

(c) **Gur-making.** Gur is generally made from date juice or palm juice. The number of these two trees is not small, but the juice is mainly used in the preparation of toddy.

(d) Cotton ginneries, sugar refineries or hand-spinning are practically non-existent in this Subdivision.

(iii) In this Subdivision the raiyat in his off season generally goes to the jute mill to supplement his income. Those who do not like the conditions of factory life, migrate to Calcutta and work there as labourers, masons or in such other capacities. Those that remain in the village are absorbed in the local demand for labour.

Question 6A. Such industries are mainly dependent on their share capital. Banking facilities are extremely limited in this country. It is specially so in cases of small industries. In other countries all such industries are financed by funds from bank or insurance companies,

(i) There has been a long cry in the country for industrial banks. It is by the establishment of such banks that financial facilities can be provided to such concerns.

Question 6B. (i) In this Subdivision there are five co-operative societies for fishermen. Otherwise all these classes of people obtain loan either from village mahajans (sometimes including Kabuliwalla) or from local loan office, if any.

(ii) Rates generally vary according to the nature of security offered. For unsecured loans, interest is from 30 to 75 per cent. and rate for secured loans is from 12½ to 37½ per cent.

(iii) There is no arrangement for Government help to these classes of people. Activities of co-operative banks are limited to agriculture only. Help from joint stock banks and indigenous banks are also not very appreciable. Most of these men cannot offer securities acceptable to joint-stock banks. Only indigenous banks where they are in existence afford some help to these classes of people.

There is a movement on foot to organise all the loan offices of Bengal under one federal bank. If that be successful, those institutions will no doubt absorb some of the functions of joint-stock banks and will then be the best agencies for affording financial facilities to small traders and middle class men.

Question 7. (i) Co-operative banks have very little to do with the Imperial or other joint-stock banks. They keep away from the movement for fear of being entangled in the risky and unprofitable business of co-operative societies. Co-operative paper cannot be discounted and co-operative societies cannot realise their securities as ordinary bankers can when they want to liquidate their assets. They cannot, therefore, draw upon the wider money market. This is one of the greatest inconvenience and disadvantage of the movement.

(ii) As suggested above, the movement suffers from insufficiency of funds. Deposits and share capital are insignificant factors in the working of a primary society. They have mainly to borrow from Central Banks, which again have largely to depend upon the Provincial Bank for help, but the Provincial Bank being segregated from the wider money market has itself got very limited resources.

To remedy this evil it has been suggested by certain authorities to establish an All-India Co-operative Bank which will have access to the wider money market.

(iii) Co-operation has made very little headway in this district. In the whole Subdivision, there are only 39 societies. To obtain any effective result from the movement this number ought to be increased at least to 150. There is now only one Central Bank with a working capital of Rs. 20,000. So an extra capital of Rs. 1,00,000 would be necessary.

(iv) and (v) None.

(vi) The very principle of co-operation is self-help. In other lands this movement has developed to huge dimensions without any help from the State, but conditions are different in this country and some sort of State aid is necessary and that must be in the direction of finance. Somehow or other it is necessary to provide the movement with sufficient funds, and the question of inclusion of debentures of provincial bank in trustee securities may be considered.

Question 7A. (i) The main function of a Central Bank should be to put primary societies in sufficient funds. So it may not be desirable for them to grant loans to individual members or depositors.

(ii) This question may be considered together with answer to Question 7 (i). It is no doubt necessary to put the co-operative bank in touch with wider money market and for that purpose it may be necessary to enlarge the scope of section 32 of the Act.

(iii) I would rather suggest that all primary societies and Central Banks shall have recourse to the outside money market only through the apex bank. This would keep a salutary and necessary check on their doings.

Question 7B. (i) Where societies are in possession of sufficient funds and are well managed they have no doubt been able to lower the rate of professional money-lenders.

(ii) They have nowhere been able to replace professional money-lenders and under present circumstances it is not even possible for them to oust them from the market. Two main reasons for not being able to do so are:—(1) insufficiency of funds and (2) restricted operation of the societies.

(iii) Factors that are operating against the rapid spread of the movement are many. Some of the principal reasons are (1) illiteracy and want of education of the people. It is a difficult job to make them appreciate the benefits of a new institution. Wherever this has been possible the movement has received its check on the next step. Those put in charge at times prove themselves incompetent and dishonest. Societies are liquidated and some of the hard earned money of the raiyat is lost. This creates a panic even in neighbouring villages.

(2) Richer or educated section of the people, who really have any hold on the people, have got money-lending business and could not advise the raiyat on the utility of co-operation. Even if a society is started in the face of all these oppositions, the raiyat whose whole need for credit is not met from the society, has again to go to his mahajan and he then charges a higher rate or at times even refuses to advance money at all. So when next in need of funds the raiyat prefers to come to his mahajan rather than go to his bank.

Part 1A—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. There is only one loan office in this Subdivision and that is at the subdivisional head-quarters.

Question 2. (a) Paid up capital, Rs. 67,646; (b) Reserve fund, Rs. 15,400; Sinking fund, Rs. 2,066; Premium fund, Rs. 28,036. (c) Short-term deposit, Rs. 8,048-5-6; (d) and (e) all fixed deposits are for 3 years. Deposits for lesser or longer period are not accepted. Amount, Rs. 51,634-10-9.

Question 3. (i) Rate of interest for (c) 3 per cent.; for (d) and (e) 9 per cent.

(ii) Three years.

Question 4. (a) Rs. 1,100 in Government securities.

(b) Rs. 7,696-8-0.

(c) Nil.

(d) Rs. 57,333-14-3.

(e) and (f) Nil.

Question 5. (i) Unsecured loans—3 years. Secured loans—6 years. Loans are advanced for any purpose and interest charged is from 9 to 37½ per cent.

(ii) No.

(iii) No.

(iv) Yes, for 3 years. Legal action is taken.

Question 6. (i) Yes, on mortgage of lands.

(ii) They may be expected to serve the interest of raiyats better than village mahajans.

Question 7. (i) None.

(ii) I do not think there is any practical difficulty in their undertaking other commercial banking. If properly organised and controlled, these institutions can in time be expected to serve the purpose of ordinary banks in mufassal towns.

Question 8. No dividend has been paid for the last 10 years.

Question 9. (i) Accounts are kept in the single entry method.

(ii) If possible, a uniform system should be introduced for all.

Question 10. A movement has been set on foot for sometime past to amalgamate all these institutions into one federal bank. If possible, this will no doubt be a distinct improvement in the system. Both the safety and usefulness of the institutions will then be much enhanced.

Question 11. Properly organised under one federal institution, these institutions may be reasonably expected to take up a bigger share in financing trade and agriculture.

Question 12. There has as yet been no bank failure in this Sub-division.

14.

Mr. D. N. Chaudhuri, Circle Officer, Kalna, district Burdwan.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a), (b) and (c) By taking loans from the village money-lenders.

(ii) The general rate of interest is $37\frac{1}{2}$ per cent. per annum. Loans are ordinarily taken for one year, but in most cases they become partly paid and the balances of different years accumulate to a heavy amount. The security is generally the agricultural land or the standing crops.

The percentages of secured and unsecured loans may be estimated to be 80 and 20.

(iii) Co-operative credit societies are on the increase in this subdivision. They play a great part in financing the agriculturists. The merchants of Kalna town also make advances to them for supplying jute. But the influence of the professional money-lenders is still predominant.

(iv) No.

(v) Spread of co-operative movement is needed for removing the heavy indebtedness of the poor agriculturists.

(vi) The Kalna Town Credit Bank and the Kalna Co-operative Central Bank and the several rural co-operative banks are the recognised credit agencies in this subdivision. The rural banks are affiliated to the Central Bank. The Town Credit Bank works independently.

Question 2.—(i) Merchants generally make advances to the raiyats who bring their produces to the mart to the merchants and sell them at a price which is ordinarily controlled by the merchants. The merchants cannot hold up their produce for a better price as they remain indebted to the money-lenders and the merchants.

(ii) One Co-operative Store is doing work at Kalna. It is not flourishing due to the want of proper care of the Directors probably.

One Purchase and Sale Society for raw materials of the raiyats has recently been started at Dhatrigram. It has not yet begun its work. If it works successfully it will do an immense good to the poor agriculturists and will secure a fair price for their produce and will relieve them from the clutches of the monied merchants. These two Societies are affiliated to the Kalna Central Co-operative Banks.

(vi) (a) Nil.

(b) Merchants and dealers finance both for the external and internal trade.

(vi-a) The merchants make advances to the raiyats who bring their produces to them in re-payment of the advance money and for profit, if any. Inculcation of co-operative principles is the only remedy to remove the difficulties now experienced.

(vi-b) The suggestion also applies to this subdivision. No definite case is at hand to support the suggestion.

(vii) Loss of credit of the borrowers is the reason.

(viii) There are no facilities for internal remittance.

(ix) to (x) In view of the above answers these questions do not arise.

(xii) The common classes of hundis are current here.

(xiii) Yes.

(xiv) No suggestion.

(xv) to (xvi) The hundis are so very few here that it is very difficult to answer these questions.

(xvii) Nil.

(xviii) to (xix) These questions do not arise in view of the above answer.

Question 3.—(i) Aus paddy land, Rs. 150 to Rs. 300 per acre; Aman paddy land, Rs. 300 to Rs. 600 per acre; Jute paddy land, Rs. 200 to Rs. 400 per acre; and jute land, Rs. 250 to Rs. 600 per acre.

(ii) The factors are (1) demand and (2) productivity.

(a), (b) and (c) The values of land in (a) and (b) are generally a bit lower than that in (c).

Question 4.—(i) There is no legal impediment to mortgage of land and agricultural holdings of the tenants except the under-raiyats.

(ii) It is not yet perceptible now.

(iii) The idea of long-term credit institution is not known to this part of the country.

(iv) No.

(v) This question does not arise in view of the above answer.

(vi) I think all credit institutions should be based on co-operative principles.

(vii) No.

(viii) The idea of Mortgage Bank is not known here.

(ix) to (xii) I make no suggestions.

Question 5.—(i) It may be estimated that on the average each ordinary agriculturist is indebted to the amount of Rs. 100.

(ii) By meeting the people of a village and taking with them on the lines. The Rural Credit Societies will help much in this respect.

(a) 40 per cent.

(b) 60 per cent.

(iv) The debts are generally incurred for the purposes mentioned in (b) and (g).

(v) Professional money-lenders and the rural co-operative banks.

(vi) I think it is on the increase.

(vii) The needs are met partially.

(viii) The enquiring officer should have the power of granting the loans just after the enquiry is over. To check unnecessary grant a scale of grant with reference to the security and the area of cultivable land of the agriculturist should be devised.

(ix) Kabulis are found in this part of the country. They lend money at a very high rate of interest, viz., 2 as. per rupee per month

without any security. Their field of work is generally limited to the basti people of towns.

- (x) No.
- (xi) Not much. I do make no suggestion.
- (xii) Yes.
- (xiii) Not known.
- (xiv) Union Boards may be entrusted to make these arrangements.
- (xv) 50 per cent. of the loan taken.
- (xvi) After harvesting of the paddy the lenders take their shares first in the proportion mentioned above.
- (xvii) I think this is not the general case in this subdivision.
- (xviii) Heavy indebtedness is bound to suppress all active energy.

Question 6.—(i) There are certain rice mills in this subdivision. But they do not supplement the work of the agriculturists. Gur-making and gardening are the only subsidiary methods of their income.

(ii) Dairy farming on co-operative principles may be encouraged to the great benefit of the people. Cotton ginneries and hand spinning should also be introduced.

(iii) Weaving, spinning, soap-making, etc., on small scale may be suggested.

(iv) These enterprises do not require much working capital.

(v) His own small purse.

Question 6A.—There are no such industries except the few rice mills, one oil mill and one brick burning machine which are all capitalized by private persons.

Question 6B.—(i) They get loans from the professional money-lenders or from the co-operative credit banks.

(ii) For marriages and other social occasions and for starting small business by the wards under them. The rate of interest is generally $37\frac{1}{2}$ per cent. with the money-lender and $12\frac{1}{2}$ per cent. in the credit banks. No definite line of demarcation is possible between the rates of interest of secured and unsecured loans.

(iii) Government may help the Government service holders by allowing higher interest for the Provident Fund and by increasing the rate of interest of Postal Cash Certificates. The Banks may lower their rate of interest for loans by attracting larger deposits by giving a bit higher interest for the deposits.

(iv) It is slowly getting into them.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(iii) Postal Savings Banks, Postal Cash Certificates, etc., Rural Co-operative Credit Banks, Central Co-operative Bank and the Town Credit Bank.

(iv) and (v) There are full facilities for the investment of savings, but the people cannot manage to do it. Moreover they require training by propaganda or otherwise to get a habit of saving.

(vi) Ordinary people generally invest in gold or silver ornaments. I do not know if they hoard up gold or silver in any other way.

Question 2.—(i) Postal Cash Certificates are not unpopular. But the former rate ($6\frac{1}{2}$ per cent.) of interest will increase their popularity. The existing terms of issue need not be changed, except that when they become matured the holders may be given opportunity of extending the time to another term without cashing them.

(iii) Yes.

(iv) The town people and the Bhadralog class in the villages. Cultivators seldom take advantages of these banks.

(v) Investment requires increase of wealth of the people. If wealth of the people be increased all classes of people will be attracted to invest money.

(vi) People are willing to invest with the Government if they get a fair high rate of interest because the credit of the Government is higher than any bank in India.

Question 3.—(iii) By sale of produce the cultivators pay their dues to the landlord, money-lenders, etc.

(iv) No.

Question 5.—(i) Yes.

(ii) Want of education and industries.

(iii) Propaganda is necessary.

(iv) There is no branch of the Imperial Bank of India in this subdivision.

15.

Mr. H. N. Datta, Subdivisional Officer, Jhargram (Midnapore).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) Agriculturists borrow generally paddy from the paddy-lending mahajans in their villages or neighbouring villages, as the wages are generally paid for agricultural labour in paddy and not in cash in this subdivision. The bigger agriculturists borrow either cash or cash and paddy both. But cash borrowing represents less than 10 per cent. of the total debts incurred for purely agricultural operations.

(b) Capital expenditure is seldom incurred for agricultural improvements except when the advantage of the Land Improvements Loans Act can be availed of. But such instances represent a negligible proportion.

(c) In a year of general or partial failure of monsoon, agriculturists fall back upon the agriculturists' loans issued by Government, but the demand is generally greater than what the Government can meet. So they have also to borrow from the village mahajans at high rates of interest. But such failure of crops are few and far between. The chief causes of borrowing are rather social than economic, e.g., *shadhs*, marriage, etc. Litigation and law charges play also an important part.

In all these instances the poor agriculturists borrow from the village mahajans and unwarily fall into their clutches. The co-operative credit system in this subdivision is yet too far behind to be able to afford any real remedy.

(ii) The rates of interest on paddy loans vary from 25 per cent. to 50 per cent. per annum according to the quantity borrowed and securities given by the debtors.

Though mortgage deeds and other bonds are registered from April to June, the loans are actually taken by instalments lasting up to the end of the agricultural operations, say, August. The interest for cash debts varies from 25 per cent. to 75 per cent. in the different areas. The security in the case of bigger debts is usually the agricultural holding of the debtor. In the case of smaller debts, no security is given but the rates of interest are higher. The debts are always collected at the harvest season from the threshing ground of the cultivators before any portion of the crop reaches his barn. Fifty per cent. of the loans both in kind and cash are not secured.

(iii) The part played by Government in agricultural finance in normal times, is practically nil. Small amount (viz., Rs. 2,000 to Rs. 4,000) is given out as land improvement loans. Among all other banking institutions mentioned, only a few co-operative banks help the agriculturists in some cases directly but in most cases the mahajans have successfully captured the banks and take out money from the societies at cheaper rates and loan out at 25 to 75 per cent. per annum.

(iv) No; no opinion can be hazarded on the point.

(v) From what has been already said, borrowing from unscrupulous village paddy or money-lenders is the main source of agricultural finance. The disadvantage is obvious. The rate of interest being too high, the debts cannot be repaid in many instances and the lands ultimately pass off from the hands of bona fide cultivators to those of creditors.

The upcountry itinerant vendors of cloth, umbrellas and fancy articles of stationery also play a part in this respect not to be ignored. They sell these merchandise on credit on double the price in September and October and collect the prices in the harvest season, thereby encroaching on the limited resources of the poor cultivators. They also give out petty loans not exceeding Rs. 25 at the rate of one or two annas per rupee per month, according to the quantities borrowed and credit of the borrower in the hope of collecting their money with interest in December and January. They generally advance the moneys to the agriculturists or agricultural labourers after the agricultural operation is over to carry the cultivators and rural people through the three months intervening between the harvesting and transplanting of the paddy which is the staple crop of this subdivision. Formerly every zamindar used to help his tenantry with loans of money and paddy, but now-a-days they have become as usurious as the professional money and paddy-lenders.

To organise better the rural co-operative banks and place them on a sounder basis, to spread the ideas of true co-operation amongst the villagers and to have more of these banks would afford a considerable remedy. At present only a limited number of the members of the rural societies is literate and is acquainted with the principles of co-operation but they often monopolise the advantages of the co-operative credit societies to themselves.

Intensive work should be the objective of the central banks rather than extensive. The lessons of the co-operative movement will then be better learnt. Much of the utility of these rural banks is lost because of their dilatory procedure for which the agriculturists do not get their loans in time and are therefore driven back to the village mahajans.

There is only one Inspector of co-operative societies for the whole subdivision. The staff requires to be increased. The teaching of co-operative principles may be added to the school curriculum with advantage.

No works of improvement are undertaken by the cultivators where capital expenditure is required on a big scale except without Government help. It is not feasible for the Government to meet the demands. A scheme for floating a loan by the Co-operative Department for the purpose of giving out loans (for capital expenditure only) at a higher rate of interest, with proper and sufficient safeguards and with a sinking fund for liquidation of the loan out of the income to be derived from the difference at which the money is borrowed and that at which it is to be given out, well deserves serious consideration.

(vi) There is no co-ordination between the credit agencies, viz., the village money-lenders or paddy-lenders and the co-operative banks. Their interests are antagonistic and there can be no co-ordination. As a credit agency, Government play a very minor part in giving land improvement or agriculturists' loans, which represent a very small fraction of what the agriculturists derive from village mahajans. So, the question of co-ordination does not affect the Government policy very much.

Question 2. (i) The raiyats generally carry their produce to the railway station (viz., Surdiha and Chakulia) where there are big godowns and businessmen to buy it, collect in sufficient quantities in the godowns and ultimately export or sell at the wholesale rate.

Some portion of the produce is also disposed of in the local hats, which sit once in a week to the paikars and who in their turn, also sell off to the goladars of the railway ports. Only small quantities are sold off by the agriculturists direct in the local hats for making their weekly purchases of necessities of life other than what is produced in their fields.

The paikar does the collecting trade in weekly hats and disposes of his stock at the railway station ports where the owners of godowns and warehouses purchase it.

The majority of the raiyats are unable to hold up their crops because of their poverty and previous indebtedness, and their habits of not looking forward to the future.

(ii) There are no possibilities of starting co-operative golas and forming pools in this subdivision of aboriginals and backward people until primary education has advanced to a certain extent.

The people are far too backward and simple-minded by nature for such a venture.

(iii) No.

(v) (a) Vide answer to (i).

(vi) A few of the owners of the godowns at the railway ports also keep warehouses for importing the necessities of life and stocking them there. These goladars, as they are known locally, do both the export

and import trade to and from the provincial ports. They send out the exportable surplus of agricultural produce and import salt, tobacco and other necessities of rural people from the provincial port and stock them in their warehouses and sell to the petty shopkeepers of the village hats. In some village hats of importance like Rohini and Gopiballavpore merchants are growing up who import their merchandise from Calcutta. The instance of a village paikar or merchant exporting paddy or oil seeds direct is rare.

(vi) (a) The owner of warehouses at the railway ports have generally sufficient capital at their command to make cash payments. They demand a higher profit than they should as they can dictate their own terms to the cultivators and have no other option than to sell to them direct or through others, to them.

(b) There is no speculative buying and selling in paddy and rice which is the principal export from this subdivision and no loss is sustained by the agriculturists on that account.

(viii) Postal insurance is the only means of remittance of money available to the public within the country in these parts, as banking system has not at all developed here. Remittance by demand draft and hundis is not known here.

(ix) to (xx) No answers to make as the circumstances of trading through banks and on cheques do not exist here.

Question 3. (i) Rupees 250 to Rs. 350 is the average value of an acre of land producing winter paddy and Rs. 150 to Rs. 250 for aus land.

(ii) (a) (b) The value is always less than in the case of private sale. Because the land is generally sold at the highest bid irrespective of the reasonableness of the price and because the bidders are always shy on account of the uncertainty as to the real nature of the land.

(c) The level of the land in comparison with its adjoining tract and the nature of the soil are the principal factors. In this subdivision there are very few extensive flat tracts, the ground is generally undulating. Rain water being the main source of supply of water for irrigation, lands at lower level are more valuable than those at a higher level.

The rates of rental liability to inundation by the rise of river are also factors which affect the value.

Question 4. (i) No, except in the case of lands belonging to aborigines in which case section 49F of Chapter VII of the Bengal Tenancy Act restricts the right.

(ii) The amended Bengal Tenancy Act has not, so far as can be judged, affected the credit of the occupancy raiyats in general.

(iii) Smallness and fragmentation of holdings do not exist in any large proportion here and do not affect agricultural credit institutions.

(iv) No, not in this subdivision.

(v) Does not arise.

(vi) Long-term credit institutions are needed for capital expenditure. Improvements of holdings, co-operative irrigation, embankment or drainage schemes are not feasible without capital expenditure. So, for real agricultural improvement long-term credit institutions are an absolute necessity.

To be of any real utility, such institutions must have ample financial resources. It is difficult to conceive how the poor tenants can help towards the formation of such capital. So, the capital needed must come from outside. A small compulsory contribution from the landlords proportionate to their assets from agricultural lands, may be legalised and a central provincial fund may be created out of these contributions supplemented by loans to be floated by Government for financing its branches at suitable centres. Securities somewhat on the lines of the Land Improvements Loans Act, may be demanded before an advance is actually given. The landlords may be assured of the return of the principal and may, in addition, get a small dividend when there is any profit. The rate of interest may be fixed so that the Government loan may be repaid by creation of a sinking fund.

(vii) (a) No, what is needed is a careful enquiry as to the number of sharers in the interest.

(b) Yes, some cheaper, more effective and quicker measure than civil litigation.

(c) Reduction of costs of reference to the records of rights and registration of records and of the process of law is desirable on the lines given to the co-operative banks at present.

(viii) (a) Deposits, if possible. But it is extremely doubtful if deposits will be forthcoming.

(b) The question will be "How are the central institutions to have funds?" It is for this reason that compulsory contributions have been suggested.

(c) Debenture bonds even with Government guarantee behind them, will not be appreciated in places other than provincial capitals and big cities.

To give proper stability to the central bank, Government may float special loans of the type of war loans to be repaid in after years from the proceeds of interest of the loans to the tenants and tenureholders. Government can get money for 4 per cent. interest bearing a margin of 2½ per cent. for the bank.

(ix) Vide supra.

(x) and (xi) These are details which require very careful consideration.

(xii) No answer to give as I have no faith in "debentures" for the mufassal towns. It would be cheaper to raise money by Government loans as I have suggested already.

Question 5. (i) No, I am not aware of any such estimate.

(ii) Such an estimate can be prepared with reasonable accuracy at the time of the census operation for the province. For a small area it can be ascertained by house to house enquiries through the collecting panchayats under the supervision of the Circle Officers.

(vi) It is increasing but not very much. The provisions of Chapter VII of the Bengal Tenancy Act have placed a salutary check by restricting the alienation of lands of aborigines, and the aborigines form a considerable bulk of the population of this subdivision.

(vii) The Land Improvements Loans Act meets the need of the agriculturists to a very small extent. In times of scarcity or distress, the

Agriculturists' Loans Act is of considerable help to the poor agriculturists.

(viii) As at present constituted, the Acts are not slow in their operations. The enquiries contemplated take some time, but they are essential.

(ix) The Moghias, as the up-country money-lenders are locally known, are seen here to loan out small amounts of money to smaller peasantry and the agricultural labourer at one anna or two annas per rupee per month. They collect their money in the harvest season by frequent takids.

(x) Kartik Chandra Murmu of Choto Gondapal in thana Binpore borrowed Rs. 200 from Nitai Maity at $37\frac{1}{2}$ per cent per annum with compound interest to be charged on the accumulated interest at the end of the year. The creditor got a decree for Rs. 1,000 after 6 years. The holding of 40 bighas was endangered, but he saved it by selling 10 bighas of land and paying up the decretal debt.

(xi) It is not availed of generally by the court, but when the court sees a bad case of accumulation of interest, it reduces the amount a bit but not considerably.

No fixed principle of interest at a certain percentage is followed. Compound interest is allowed.

Greater use will be made of the Act when the law courts are impressed with the necessity for it.

(xii) No standard of interest is followed by the court in applying the Act. The Act is seldom resorted to by the court, which generally decrees what is demanded by the plaintiff.

(xiii) Nobody here in the rural areas even knows of the Act, it is so little resorted to here.

(xiv) The Co-operative Department can start paddy loaning godowns just as the village mahajans do for loaning out paddy seeds and paddy for consumption in the interior at cheaper rates of interest, say, $12\frac{1}{2}$ per cent. whereas the minimum rate prevailing is now 25 per cent. The department should not look at them as a business concern but should run them for the benefit of the agriculturists, while suffering no loss to itself.

(xv) Twenty-five per cent. to 50 per cent. is the rate of interest prevailing for paddy loans.

(xvi) But in actual calculation it comes to 50 to 100 per cent. as loans of paddy are made in May and June and collected in January and for 6 months the interest of the whole year is charged. The debt is liquidated generally by paddy but at times by the sale of a part or the whole of the raiyats' holdings.

(xvii) Yes, a fairly large number.

(xviii) No, he does not often know until it is too late as to what is in store for him. But his debts involve him far too much to enable him to spend any money for doing works of even petty improvements to his lands.

Question 6. (i) Rice milling by the women members of the agriculturist family is in vogue and supplements the income of the agriculturists to a certain extent and gives employment to the widows and spare female hands of the family.

Poultry-farming is also carried on by the agriculturists of aboriginal classes and low caste Hindus and Muhammadans who have no caste prejudice against it. The sale-proceeds of eggs and fowls enhance the earnings of these agriculturists.

Goat-keeping is a very favourite subsidiary industry of this part, which brings in some income and gives work to the young children in tending them in the uncultivable fields and forests in the vicinity of their homestead. Growing of kitchen garden and vegetables is also resorted to for individual family needs. Vegetable cultivation is however being gradually taken to as a means of income particularly by bhadralok agriculturists.

Fish rearing by bigger agriculturists who have tanks of their own is also an important subsidiary source of income. But tanks have silted up and cannot be re-excavated for want of capital. A properly kept tank of one bigha and a half will give easily an income of Rs. 500 per annum. The fishery will give Rs. 250, and Rs. 250 will be yielded by the vegetables and plantains on its banks, if it is re-excavated properly in every 10 years at a cost of Rs. 500 or so.

Cotton spinning is done by the aboriginal agriculturists of this subdivision on a very small scale. Only the older women and widows of the family take to it.

Hand spinning is also in vogue among the aboriginals who grow cotton for their own requirements but not for sale.

(ii) Fishery tank.

Outlay of some capital for excavation of a tank near the houses of those agriculturists who can give proper security for Rs. 2,000 or so, with the object of rearing fish in the tank and vegetables and plantains on its banks. This is a paying subsidiary industry.

(iii) Dyeing, spinning and weaving is the only industry which might employ the bye-time of the agriculturists' family very profitably, if that is taught to the agriculturists by the Industries Department of the Government, as they have begun already in their peripatetic weaving schools. Some of the aboriginal families took to dyeing and weaving two years ago and they are getting a fair income from that source.

(iv) By loans from co-operative rural banks and advances from the Industries Department.

(v) The co-operative rural banks.

Question 6A. (i) (a) The fixed capital of rice mills in this subdivision is contributed by the different shareholders of the concern, the shareholders being near relatives or intimate friends. Thus they are in the position of private limited companies.

(b) The circulating capital is also in great part theirs but when the concern runs short of funds, it gets advances from the Calcutta firms where they supply rice.

(ii) No.

Question 6B. (i) Day-labourers have to borrow small amounts of money at 2 annas or one anna per rupee per month, from the petty money-lenders or from their employers, who also charge the same rate of interest, though not always in cash but generally in extra labour, which is not paid for.

Fishermen also fare the same fate.

Weavers get yarn on credit from the yarn seller at the rate of 2 annas per rupee per month and at times, at 3 annas per rupee per month.

Service-holders and middleclass gentlemen borrow at the rate of Rs. 25 per cent. per annum, as they know how to calculate interest and have better credit. For large amounts, they get loans at a smaller percentage of interest from towns but in the rural areas, there is a shortage of capital and the rate of interest must necessarily be higher.

(ii) They generally borrow for marrying children and other social functions. For secured loans, the rate of interest is Rs. 15 per cent. and for unsecured loans, the rate of interest is Rs. 25 per cent.

(iii) They generally borrow from private persons and sometimes through co-operative banks.

(iv) Yes, the indebtedness is on the increase generally.

Question 7. (i) Not known.

(ii) There are only rural primary co-operative societies here which give out short-term loans only. They have not yet taken to the policy of long-term loans. They suffer for lack of capital and for not getting their supplies of capital from the Central Bank in proper season for agricultural operation. In agricultural banking, supply of money in the season of the work is very imperative and on it depends the success or failure of the banking.

The office bearers of these rural banks are mostly illiterate persons who have no idea of even the elementary principles of co-operative banking. It is impossible to think of getting educated men for most of the banks in a subdivision like Jhargram and the real remedy will be to teach these men in the principles of co-operation and to give them training in banking. This can best be done by deputing sufficient number of efficient and trained supervisors who should be constantly doing propaganda work and whose duties should not be confined solely to the inspection of rural societies in the stereotyped way, as at present.

(iii) It is extremely difficult to give an estimate. Two central banks are operating in this area, and roughly the capital invested by these two banks will amount to Rs. 1.5 lakhs. At least three times as much more capital will be needed. Thus six lakhs of rupees may be estimated as the minimum requirement.

(iv) Besides co-operative banks, there are no other type of banks operating in this subdivision.

(v) Needs no reply.

(vi) These concessions will undoubtedly help forward the movement and will have the indirect effect of reducing the rate of interest. But what is more needed for the healthy growth of the movement in this subdivision, is the education of the agriculturists in real co-operative principles.

Question 7A. (i) It is desirable that co-operative central banks should be permitted to grant loans to individuals just as the loan offices and other banks are doing. But such loans should be given under proper safeguards.

The profit of the banks will increase.

(ii) It is desirable to enlarge the scope for the investment of the funds of the co-operative societies by relaxing the restrictions which were needed for the experimental and tentative stage of the agricultural

banking which has now outgrown that stage. Now they operate as a clog to the free banking to the co-operative societies.

(iii) Yes, under adequate safeguards.

(iv) At present they are only rival credit and capital institutions with no relations whatever between them.

They render no assistance to each other.

Question 7B. (i) The establishment of co-operative societies has slightly reduced the rate of interest on secured loans only; but not on unsecured loans.

(ii) Co-operative credit societies have not replaced the professional money-lenders to any appreciable extent in this subdivision, they have only taken up a little portion of their business, say, 5 per cent. of the total money-lending and the paddy-lending.

(iii) The factors that operate against the rapid spread of co-operative banks in rural areas are :—

(a) Lack of co-operative education among the rural people, in general, is the most powerful factor against the spread of the movement. There can be no real progress until and unless the ideas of co-operation spread amongst the rural people.

(b) The ignorance and illiteracy of the members of the majority of the rural primary societies.

(c) Some self-seeking men generally become the secretaries and members of the panchayat committee, who monopolise the advantages of the societies and use the capital of the society in starting money-lending business of their own which is possible as most of the members are quite innocent of the rules and procedure.

(d) Joint liability of the members of the primary society is misrepresented by the village mahajans and bankers who make a successful propaganda against the movement with the ignorant masses, on this score.

Part IA.—Loan Offices and Joint Stock Banks in the mufassal.

There are no loan offices or joint stock banks in this subdivision.

Part II.—Indigenous Banking.

There is no indigenous banking in this subdivision and there is no prospect of any starting in the near future.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) and (ii) The question is a big provincial one and cannot be properly answered by one not having knowledge of the whole province.

(iii) There are no means or institutions in existence for encouraging savings and investment habits like the provident funds or family pension funds. For the rank and file of the country there are only the

post office savings banks attached only to some headquarter post offices, out of the reach of the peasantry and so the people do not resort to it, except the educated urban and suburban population.

The co-operative rural societies are providing some facilities for investment, but the villagers do not understand it yet and have no sufficient faith in them.

(iv) Vide answer to (iii).

The facilities provided in the rural co-operative societies should be so regulated as to win the confidence of the peasantry. The general complaint at present is that withdrawal of money from this society is difficult and delayed. It is the rural credit society which can reach a peasant and so facilities for savings must be impressed on them. Urban areas are served by facilities of the postal savings bank, co-operative central bank and loan offices.

(v) Arrangement for prompter withdrawal of money from the rural co-operative societies will improve matters considerably in this respect, provided the co-operative banks are placed on a better footing, and are more numerous than at present.

(vi) No.

Question 2. (i) Postal cash certificates are not popular with the village people who earn more interest in private money-lending and also they do not know of them.

It is extremely doubtful if their popularity can be increased. The propaganda needed may not be commensurate with the result that can be achieved.

(ii) Present interest rates of cash certificates require slight enhancement in order to suit the rates of interest to the rural economics, say, up to $6\frac{1}{2}$ per cent.

(iii) Savings banks afford all possible facilities to the public where they exist but they cannot generally reach the mass of the rural population.

(iv) Only educated professional men, clerks and officers resort to such forms of investment.

(v) Canvassing through village agencies with a little commission for them as is done by the life assurance companies, may be tried. But it is doubtful whether any lasting effect can be produced.

(vi) No.

Question 3. (i) Facilities for purchase and sale of the Government securities exist only in towns. The rural areas are not served with such facilities.

Somewhat on the lines of the cash certificates, agricultural certificates at a higher rate of interest, say, at $6\frac{1}{2}$ per cent. per annum, may be issued to the agriculturists and to the rural people to induce the investment of capital and attract the savings. This money may be invested in Central Bank for agricultural financing.

For some years, commission agents may be employed in the villages for canvassing the loan and educating the people to invest their savings and surplus capital.

(ii) No such facilities exist for the rural and mufassal people.

(iii) The average cultivator can hardly save anything. Much of what he could otherwise have saved is spent on paying interest on arrear debts, or in clearance of the principal. His spend-thrift habit also stands in the way of his being able to save. If he has any surplus in hand, he spends that on marketing.

Those of the prosperous peasants who can make a saving, spend it on purchasing lands or start a money-lending business which is very profitable. They take to money-lending as a means to an end, viz., buying land.

(iv) The farmers who can lend to fellow agriculturists at 37½ per cent. interest and the ultimate result generally is that the holding of the debtor passes on to the creditor. The farmers invest the surplus money in buying land and in money-lending.

Question 4. (i) Cheque habit has not grown among the people except in the limited urban population of big cities.

(ii) It has produced no effect this way or that, so far as the mufassal people are concerned.

(iii) Only European gentlemen living in our country and the big zaminders and big firms use cheques.

Payment by cheques to Government servants is not possible in mufassal towns unless some arrangement is made for encashing them in the locality.

(iv) That is a good idea as it will facilitate the use of cheques by the rural people, shopkeepers and importing and exporting merchants. Vernacular script may be used side by side with English.

Question 5. (i) Yes, the cause of slow growth of banking and investment habit is that the people of the country as a whole are agricultural and are ignorant of banking and investment.

(ii) Their illiteracy is another powerful cause of the lack of development of banking and investment.

(iii) Propaganda and canvassing for Government loans by suitable village teachers, selected panchayats with some incentive to them by way of a little commission (say, a rupee or half a rupee per centum of investment made through them) for at least 10 years may produce very good results.

These agents may be supplied with leaflets of instructions and the advantages of the loans in Bengali and they can canvass the loans with great success. The rural officers of the Government and the district boards can also do a great deal of canvassing, if some interest is insured to them.

16.

Mr. Profulla Chandra Sen, Subdivisional Officer, Ghatal (Midnapore).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) The agriculturists of this subdivision, for the purpose of obtaining finance, may be classified under two groups, viz., (1) agriculturists having exclusive control over the disposal of their products and (2) agriculturists growing crops on advances made to them by

Mahajans and having no control over the disposal of products. The agriculturists of the latter group generally grow jute and sugarcane on advances made to them by Mahajans.

(a) For the purpose of growing paddy, cereals and pulses and vegetable crops the average cultivators of this subdivision seldom require any outside help. It is only on special occasions entailing re-growing of crops that they look up for help. After each harvest, they keep a stock of seed and make provision for the growing of the next crop. If for any unforeseen and unavoidable circumstance, or for any natural calamity the first attempt to grow such crops fails, the cultivator borrows paddy from the landlord on condition to repay the loan with a premium varying from 25 to 50 per cent. after the next harvest. Borrowing money from the Mahajans at an interest of 12 to 40 per cent. per annum according to the security pledged is also resorted to. During widespread calamity, however, when agricultural loans are given out by Government, the cultivators take such loans with much avidity. The poorer section of the agriculturists, however, who cannot afford to provide for growing the next crop usually borrow paddy from their immediate landlords on condition of repaying the loan with 25 to 50 per cent. interest after the next crop. Cash loans are also taken from professional money-lenders at an interest of 12 to 40 per cent. according as the loan is secured or an unsecured one.

For the purpose of growing jute and sugarcane, however, a fairly large number of cultivators take advance commonly known as *dadans* from the dealers abroad on condition that the produce will be sold to them at the prevailing market value with a rebate of 1 anna in the rupee.

(b) The cases of permanent improvements are few and far between here. For capital and permanent improvements the agriculturists of this subdivision are found to be not in much want.

(c) As stated against item (a) above, during special needs agricultural loans are floated by Government. The rents are allowed to fall in arrears till the next harvest. Borrowing money for payment of rents is not much relished by the agriculturists here in view of the fact that the landlords under the laws in force cannot claim more than 25 per cent. of the dues as damages whereas the agriculturists will have to pay interests at higher rates if money is borrowed to pay such rents.

(ii) The rate of interest charged varies from 12 to 50 per cent. according to security offered. Loans are taken for the period of one year. If valuables and landed properties are pledged the rate of interest charged ranges from 12 to 15 per cent. In other cases where no security worth the name is offered the rate of interest goes up to 50 per cent. If, however, the loanee is proved to be a man of integrity and honesty special concession is made.

The percentages of secured and unsecured loans to the agriculturists in this subdivision are estimated at 60 and 40 respectively.

(iii) There is no branch of the Imperial Bank of India in this subdivision and there is also no Joint Stock Bank. The indigenous banks and bankers are not perceptible here. There are Co-operative Credit Societies whose activities are mainly confined to their members who form a very small part of the total agricultural population. During widespread calamities Government advances money to the agriculturists in the shape of agricultural loan. Professional money-lenders, merchants

and dealers supply the needs of the greater bulk of the agriculturists. I have not met with any case here in which companies trading in fertilisers have made any advances to the agriculturists.

(iv) It is very difficult to give an estimate of the total amount of capital required here for agricultural purposes. Normally a sum of Rs. 30,000 would suffice for this subdivision with an area of about 360 square miles. When, however, the crops fail on account of drought or floods, the estimate is likely to exceed by 100 to 200 per cent.

(v) In considering this paragraph I would exclude the professional money-lenders. At present the only financing agency in this subdivision for the benefit of agriculturists are the Co-operative Credit Societies. The main defect in their method is that their membership is limited to a few. The rules should be so modified as to include all the agriculturists of a village, if they are willing in a village co-operative society.

The method employed in distributing agricultural loans in abnormal years, I think, is the best method under which cultivators of an entire village can form into different groups for taking loans. This principle may be introduced in the Co-operative Credit Societies as well. This, I think, will exclude the possibility of professional money-lenders practising usury.

(vi) It is possible to introduce co-ordination between co-operative principle and the Government methods of Land Improvements and Agricultural Improvements. This principle would have been employed here in the Natuk Irrigation scheme which failed due to technical question of an engineering nature. I have observed co-operation between the Ghatal Central Co-operative Bank and the Ghatal Urban Bank.

Question 2.—(i) The agriculturists sell their surplus crops direct to the dealers, if facilities for transport of their produce exist. In other cases, middlemen intervene. As there are no agricultural purchase and sale societies, here, the raiyats sell their produce at the prevailing local market rate to the dealers. The agriculturists for the purpose of paying rents and to meet other contingencies generally sell their produce just after each harvest. Crops do not command better price unless after the lapse of 6 months and they cannot always hold up for this period due to immediate want.

(ii) There are no agricultural produce and sale societies here. A trial may, however, be made for marketing produce on co-operative basis by forming some such societies. I, however, do not think that this will succeed in case of the main produce of paddy and cereals as the cultivators will fight shy of any abrupt innovation. It may with advantage be attempted in the marketing of such seasonal products as winter vegetables to large consuming centres. If this method succeed the agriculturists may be induced by example to apply the method to larger agricultural produce such as paddy, pulse and jute.

(iii) There are no co-operative sale societies here.

(iv) No credit facilities for the financing of products during marketing exist at present. If Co-operative Sale Societies are established, conditions may change for the better.

People generally use their own carts or pack bullocks to transport their produce to the nearest market or employ the carts of their neighbours. Considering the badness of the roads I would think this is the only possible method at present.

(vi) Only the merchants and dealers of jute and gur advance money to the agriculturists for securing to commodity from being sold to others. In no other case advances are made. Some of the Calcutta Mahajans, however, place funds at the disposal of the local "aratdars" for purchase of paddy and rice on commission. The above conditions apply only to export trade. With regard to import trade no such conditions exist.

(vi-b) The conditions seem to apply only in the case of jute crop. Paddy and other crops usually command their full value.

(vii) No.

(viii) Both import and export trades exist here. Export merchants selling to Calcutta dealers on credit generally obtain funds locally from the import merchants taking their supplies from Calcutta, by means of letters of authority or hundis. This greatly facilitates internal remittance. A, an export merchant, sells his goods to B, a Calcutta dealer. C is an import merchant taking his supplies from D at Calcutta. A hands over a letter of authority to C to receive payment in Calcutta from B and takes the amount covered by the letter of authority from C here. C sends the letter to D who obtains payment from B. In many cases, however, remittances are made through Post Office. The Peoples Urban Bank and the Central Co-operative Bank have no dealings with other Banks and cheque system is not in vogue. The Central Co-operative Bank requires greater facilities as regards Remittance Transfer Receipts than it has at present.

(ix) The existing arrangement for remittance is fraught with risk. Matters will improve if banks at other centres establish branches here for the purpose or the local banks fix up arrangements for remittance with the Imperial Bank or Joint Stock Banks in larger towns.

(xi) Bills are not in use here.

(xii) Only the particular class referred to in item No. (vii) above is in existence here.

(xiii) Yes, by minimising fraud.

(xiv) No. Not discovered.

(xvi) Railway and steamer receipts and challans to boatmen and carters.

(xviii) No difficulties experienced.

Question 3.—(i) The values of lands differ in different localities. An average is, however, given below. The rates are for rent-free land with nij-jote :—

Kind of land.				Value of land per acre.
				Rs.
Aul sali growing paddy	...	...	...	600
Doem sali growing paddy	...	...	...	500
Soem sali growing paddy	...	..	..	400
Chaharam sali growing paddy	...	..	...	200
Aul kala (growing Aus paddy, jute, sugarcane, potato etc.)	...	...	...	700
Doem kala (growing aus paddy and pulses)	...	...	...	600
Soem kala (growing aus and jhanji paddy)	...	...	...	400
Chaharam kala	...	...	...	100

(ii) Values of land differ materially according as they are fertile and productive of crops even under adverse climatic condition due to their situation near irrigation canals or tanks, etc. Multiple interest in lands by several persons also affects their value.

(a) The lands purchased at auction sale for non-payment of revenue command greater values than the lands covered by items (b) and (c).

(c) Lands purchased by court decrees often create litigation of various types and people purchasing such lands hesitate to pay the full value.

(d) Lands purchased by private negotiations involve less risk as the transaction takes place after considering the pros and cons.

Question 4.—(i) No, lands with uncertain tenancies, however, do not command any credit.

(ii) Yes, to a certain extent in the matter of usufructuary mortgages.

(iii) No long term credit institutions here.

(iv) No such bank here.

(vi) Small cultivators take long term loans on the usufructuary mortgage system, from their landlords or neighbours. The term rarely exceeds ten years. It is only impecunious landlords that take loans on terms that can take more than one generation to liquidate. Long term loans should be discouraged for the benefit of small agriculturists. If they require any large amount they can always take benefit of the Agricultural (Land Improvement) Loans or the three years loan system from village co-operative societies.

(vii) (a) The records of rights prepared under the Bengal Tenancy Act will show the title of ownership. They are, however, not always up to date. The original proposal of Lord Sinha to keep these records posted up to date through the agency of Union Boards seems to met to be the best suggestion.

(b) The process suggested in item (a) above is likely to simplify the process.

(c) The loanees may be required to produce the records of rights certified to be up to date by the President of a Union Board.

(viii) The working capital should be derived from (b) funds from central institutions. Debenture bonds may be introduced by the Central Institutions but should not be made use of during the infancy of subordinate banks.

(ix) Debenture bonds should carry Government guarantee both for principal and interest.

(x) A reserve fund should be created and the banks to be mainly under control of the Government.

(xi) With Government guarantee, the agricultural mortgage banks should raise money for deposits at 6 to 7 per cent. interest, obtain funds from Central Institutions at 9 per cent. interest and invest money at 12½ per cent. interest.

(xii) Yes.

(xiii) The securities should be periodically tested by reliable officers of the Bank or by any other suitable agency.

Question 5.—(i) Final Reports on Survey and Settlement operations in various districts may be consulted.

(ii), (iii) and (iv) The Circle Officers (Assistant Settlement Officers) were asked to hold enquiries in their circles on similar lines.

(v) The dues of the creditors may be estimated as under:—

				In normal years.	In years of wide-spread calamities.
				Per cent	Per cent.
Government	...	...	...	5	50
Bank	...	...	...	...	...
Co-operative Societies	...	...	...	25	25
Indigenous Banks	...	...	...	...	...
Professional money-lenders	...	...	...	70	25

(vi) Decreasing with the rise in the price of produce.

(vii) Vide item (v) above only in abnormal areas.

(viii) No difficulties arise. All subordinate officers are bound to keep the Collector of the District well informed about the economic condition of their respective areas and to anticipate the amount in advance by 5 or 6 months.

(ix) Kabulis do not lend money for agricultural purpose. They sell blankets and cloths to the agriculturists on credit and realize their dues with interest. No written bonds are executed. Their activities are very little in this subdivision.

(xii) No.

(xiii) No.

(xiv) If the raiyats are keen about repayment of loans promptly, much of the trouble can be saved. In normal years cultivators of this subdivision rarely borrow.

(xv) 25 to 50 per cent.

(xvi) Interest on paddy is charged at 25 to 50 per cent. If large quantities are involved the rate of interest in rare cases is fixed at 12½ per cent. In case of cash loans when large amounts are involved and good reliable securities are offered the interest charged varies from 10 to 15 per cent. In other cases the rate varies from 18 to 40 per cent. Compound interest is charged under special conditions. Ordinarily no compound interest is charged. If the creditors pay up the interest due no trouble arises otherwise attempts are made to levy compound interest after the lapse of a year. If debts are not repaid, legal steps are taken for their realisation.

(xvii) No. Not here.

(xviii) The question cannot arise.

Question 6.—(i) The agriculturists, I mean the pure type agriculturists of this subdivision, do not carry on any industrial pursuits. There are a number of rice mills here but they are mainly under the management of merchants or well-to-do middle class men. Recourse is, of course, had to gur-making by agriculturists but their number is too small to deserve any comment.

(ii) There is a thriving trade in butter and ghee in this subdivision and large quantities are sent to Calcutta. The villagers in Daspoore area also earn a decent income in all seasons from seasonable vegetables and

large quantities of palhal, betel leaves, cabbages and cauliflowers and potatoes are exported.

Weaving is still in existence in almost every village but the industry is in a moribund condition. The people are very conservative and they can easily dispose of their goods at present through the existing middlemen. Any organisation set up to eliminate these middlemen will have to be run at a loss for a considerable time due to badness of roads. The people may, however, be shown the result of improved methods of producing butter or vegetables by holding agricultural and industrial exhibitions where demonstrations might be held.

(iii) Generally, the agriculturists have no sufficient funds to undertake any enterprise worth the name. But they are at liberty to undertake cottage industries in their homes. Hand spinning, cotton ginning, weaving, mat making, comb manufacturing and similar other things can be arranged to ameliorate the condition of the agriculturists. Steps must be simultaneously taken to get their products readily disposed of.

(iv) Starting of village societies on co-operative principles.

(v) Vide item (iv).

Question 6A.—(i) The existing small industries are mostly financed by the capitalists themselves. Industries started with share capitals do not as a rule thrive well here on account of bad management.

(ii) Conditions may improve if good management and sufficient credit are ensured.

Question 6B.—(i) The people here are mostly agriculturists. The non-agriculturists generally obtain loan on pledging their moveable properties. In such cases the rate of interest charged is comparatively lower. Day labourers sometimes obtain loan on condition to repay the loan with interest by labouring under their creditor. In bell-metal and brassware industries, the labourers are granted dadan or advances by the Mahajans on condition that they will repay the advance gradually after working under them. Labouring under a third person during the currency of a dadan is taken as an infringement of the conditions of the advance and if not amicably settled, legal steps are taken to realise the outstanding advance at a time. Middle class gentlemen and small traders in the (Hatal town can get loans from the People's Urban Bank and in the villages. I have found the major portion of the membership of Co-operative Credit Societies is composed of middle class farmers or big cultivators.

(ii) (a) For repayment of earlier debts; (b) marriage and other social occasions; (c) litigation; (d) for purchasing ornaments. Interest is charged at rates varying from 12½ to 40 per cent. according as the loan is secured or unsecured. For second loans the rate of interest charged varies from 25 to 40 per cent.

(iii) Government does not advance anything to the non-agriculturists. The number of Co-operative Banks at work is small and there is much scope for their extension. Subscribers to the Provident Fund can get loans from their own savings but this is not popular. I believe Co-operative Banks in all district headquarters should be opened for the benefit of service-holders.

(iv) Almost stationary but there is a tendency towards increase.

Question 7.—(i) No Banks here.

(ii) A Co-operative Central Bank has recently been established here and it is too premature now to judge of the difficulties of the working. The Provincial Co-operative Bank is financing the Central Bank.

(iv) No.

(vi) Granting of financial concession of the nature contemplated will no doubt stimulate the growth of the co-operative movement.

Question 7A.—(i) This will make the working of the Central Bank rather unwieldy. Otherwise there is no harm.

(ii) Yes.

Question 7B.—(i) Compared to the requirements of the people, the co-operative societies at work play only a minor part to improve matters.

(ii) Vide 7B (i).

(iii) There are 80 village societies now under Ghatal Central Bank in course of 18 months' work. The village societies can further be increased and several applications are already pending. But they cannot be taken up as there is only one Auditor and one Supervisor and it is said that one more Supervisor is necessary to effect efficient control of the Banks and their proper inspection. The Bank cannot on their present income employ a Supervisor of their own. Government assistance in the shape of staff is necessary for each Central Bank for the first five years.

The work of the co-operative staff cannot be properly controlled by one Inspector in a wide area. They should be put under District Magistrates and Subdivisional Officers and submit tour diaries and tour programme to those officers as the Circle Officers, who are Sub-Deputy Collectors, do at present.

17.

Mr. Ananga Mohan Chakrabatti, Deputy Collector, Khas Mahal Manager, Contai (Midnapore).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) Most of the people of this subdivision are agriculturists and they obtain their finance from their superior landlords generally at the time of cultivation, when necessary, either in cash or kind. When the superior landlords fail to assist them they have to take resort to the village mahajans.

(b) From the above sources as well as from the rural Co-operative Societies where these exist.

(c) Ordinarily from the village mahajans and also from the Co-operative Societies where these exist; in the case of calamities, e.g., flood or failure of monsoon, from the Government in the shape of agricultural loans. They have sometimes to sell their cattle and mortgage their silver ornaments and utensils for finance in such times.

(ii) The village mahajans generally charge an interest of 25 to 37½ per cent. on the loans given. The loans are generally taken for a period of one year till the next harvest. In the case of loans in kind an interest of ½ maund per one maund of paddy per year is generally

charged. The loans are given on hand-notes or on putting only thumb impressions in the books of the mahajans in the case of small loans to known parties. In the case of heavy loans mortgages of lands are taken as security. The percentage of secured loans is about 40 and that of the unsecured loans is 60.

(iii) Government generally finances at the time of calamities when all other sources fail. There is a net-work of Co-operative Societies in this subdivision, which play an important part in agricultural finance. As, however, the members only can get loan from the Co-operative Societies and that to a limited extent, the agriculturists have to resort to the village mahajans for this purpose. There are no bankers here.

(iv) In this subdivision about 10 lacs of rupees will be necessary every year for this purpose.

(v) There is no system or certainty of getting loans. So no one can count on any source till the loan is actually secured. The loans except by the Co-operative Societies are given at pleasure of the village mahajans, there being no rules or systems to guide them. The establishment of more Co-operative Societies or village Banks from where loans can be taken on security will remove the defects. The Post Office Savings Banks only take deposits but do not give loans.

(vi) There is no co-ordination.

Question 2. (i) The Raiyats after the harvest take their produce to the nearest market and sell them. The superior landlords and mahajans sometimes go to the houses of the raiyats and take the produce in lieu of the loans given with interest to secure early payment.

As there is a rush of creditors including the landlords for realization of loans and rents just after the harvest, the raiyats cannot hold up for a better price except the big ones who are well off.

(ii) Establishment of Co-operative Sale and Supply Societies in every centre may do some good and there is ample scope for them, but the initiative about the management of such societies will have to be taken by Government. Otherwise such societies will not prosper.

(iii) There is only one Co-operative Sale Society in this subdivision. It is run by the shareholders, from whom the Directors and office bearers are elected. It is linked with a central organisation in Calcutta. It is financed by share capital as well as by loans from the local Central Bank and the Provincial Co-operative Bank up to a proportion of its shares.

(iv) If the raiyats are to hold up for a better price they are to be financed during the interval for which no facilities exist at present. Sometimes they take advances from merchants to supply the produce after harvest at the contracted price, which is generally a little below the average price of the time. But this generally applies to some special crop, e.g., jute.

(v) There is no such difference.

(vi) (a) The merchants and dealers come with their boats to the different centres and hats and send out *dalals* to the different villages and purchase paddy on cash price and load their boats. They then go to the ports of the province and sell their paddy.

(b) There is no import trade here for paddy from the ports. Sometimes the merchants and dealers in paddy bring salt and kerosene oil

when coming back from the ports and sell them to the consumers in the hats. In this business they generally supply their own funds themselves or take occasional loans from the money-lenders.

(viii) No facilities for internal remittance.

Question 3. (i) Value of paddy land per acre varies from Rs. 300 to Rs. 600.

Value of land per acre for vegetables varies from Rs. 400 to Rs. 800.

(ii) The lands in which vegetables are grown are high lands adjoining houses where several kinds of crops can be grown which fetch high prices. In low lands only paddy is grown. The prices of high lands adjoining houses are therefore generally higher than paddy lands. The land from which higher profits are derived generally fetches a higher price.

Question 4. (i) There is no legal impediment here about mortgage.

(ii) By the amended Bengal Tenancy Act the power of credit has been curtailed to some extent as it has done away with usufructuary mortgages and limited the duration of ordinary mortgage.

(iv) There are no land mortgage or agricultural banks here.

Question 5. (i) In this subdivision about 25 per cent. of the agriculturists of a village are indebted. The amount of indebtedness is to the extent of about Rs. 5,000 per village.

(ii) By enquiry from the local Registration office as well as by a house to house enquiry by the President panchayat in an average village.

(iii) (a) About 10 per cent. of the debt is secured by registered mortgage.

(b) About 15 per cent. of the debt is given otherwise.

(iv) Debts are generally incurred here for all the purposes mentioned in items (a) to (g), of which item (c) preponderates. Very little debt is incurred here for items (h) and (i).

(v) The creditors are generally village money-lenders, co-operative societies and in a few cases, also Government for agricultural loan given at the time of distress in the affected places only.

(vi) Increasing.

(vii) These are given in times of distress only and to selected persons.

(viii) No.

(xiv) By starting seed depots in connection with co-operative societies in villages, the repayment will be double the quantity of seeds supplied.

(xv) Five to 10 seers per maund for six months.

(xvi) The crop is taken from the threshing ground after harvest and also by litigation where other means fail to enforce payment of debt.

(xvii) Yes, to some extent.

(xviii) Necessarily.

Question 6. (i) There are mat-making, gur-making, rice-milling and hand-spinning and weaving industries here.

(ii) By starting Co-operative Sale and Supply Societies.

(iii) By encouraging spinning and weaving industries.

(iv) By organising Industrial Co-operative Societies.

(v) By organising Industrial Co-operative Societies and Banks.

Question 6A. (i) By taking loans from village money-lenders as well as advance from merchants who buy these articles.

(ii) Starting Industrial Banks.

Question 6B. (i) By pledging ornaments, utensils, houses, and also by mortgaging lands who have them.

(ii) Generally for their maintenance and also for performing social and religious ceremonies. The interest varies from 25 to 37½ per cent. in case of the unsecured loans and 12½ to 25 per cent. in case of secured loans.

(iii) They get loan from Co-operative Bank and village money-lenders through persons taking loans from these sources.

(iv) It is on the increase.

Question 7. (iii) Five lacs of rupees.

(iv) No.

Question 7A. (i) Yes.

(ii) Yes.

(iii) Yes, where such banks are secure.

(iv) No assistance rendered now.

Question 7B. (i) Rate of interest for such loans cannot be indefinitely increased where Co-operative Societies exist.

(ii) Twenty-five per cent. of the village money-lenders have closed their business where Co-operative Societies have been started. Now such people find it more profitable to deposit money in such societies.

(iii) Illiteracy of the people, joint and separate liability of the members, opposition of village money-lenders and the limited amount of loan that can be secured from the societies which sometimes serve no useful purpose.

18.

Mr. Jaladhar Ghose, Circle Officer, Sadar Circle, Midnapore.

Part II.—Indigenous Banking.

Question 1.—Practically there are no regular banks, but there are rich people who lend money and paddy, they are locally called "mahajans."

Question 2.—Agriculturists of poor means borrow generally paddy and sometimes money from those mahajan bankers for their maintenance and purchase of plough, cattle, seeds, etc., when their stock of paddy and seeds run short in the months of June to August, and those

loans are sometimes repaid when they can afford to do so after harvesting their autumn and winter paddy in October and December, respectively. Defaulters lose their lands by the dishonest litigation of the designing banker mahajans.

There is a peculiar system among the silk cloth weavers; they take the yarn from their mahajans in advance and they make silk cloth; the mahajans take those cloths paying the weavers some wages only which are quite inadequate; the profits go to those mahajans; that silk is locally called Tasar and Ketay. The total number of those weavers is noted below:—

There are 191 weaver families with about 200 hand-looms at Anandapur, police-station Keshpur.

There are 34 families and 42 hand-looms at Majura, police-station Keshpur.

Very few of those weavers finance their industry with their own capital. Their produce of that industry—Ketay and Tasar—is largely exported to outside Bengal—to Bombay, Madras, etc., and even to foreign countries. Those mahajan bankers are also exporters of those silk cloths to the different places noted above.

Question 3.—(a) It is not possible to give the amount of the capital invested.

Midnapore is proverbially a paddy-producing district, and the people prefer paddy-lending business to any other business, as they find it quite safe from dacoits. That business is also more paying, fetching about 25 per cent. interest, which is also paid in kind—paddy.

The paddy-lending mahajan exercises great influence as the number of dacoities have been increasing without sufficient detection; money-lending business is declining and there has been a tendency of corresponding rise in paddy-lending business. There are very few mahajans having capital of Rs. 50,000 each. They number 5 in all, in the 3 thanas of Keshpur, Midnapore and Shalboni.

According to a rough estimate the number of paddy-lending mahajans would be about 10 in each 100 square miles with a capital of 1,000 to 5,000 maunds of paddy, as such paddy-lending business is predominating in this part of the district for the reasons noted above.

(c) Expenses of mahajans of moderate means of capital are almost nil as the deed-writers are paid by loanees, as some mahajans (bankers) are dishonest in accounting; there is a great tendency to the increase of litigation and those bankers are to meet the civil court litigation charges, at the start of the suits, but in the long run the loanees are ruined and they are rendered landless by the bankers and in the long run those bankers become gainers by litigation.

The more substantial bankers have got clerks to keep accounts of paddy and money-lending transactions on an average pay of Rs. 8 and food per month.

The paddy-lending mahajan keeps one man locally called “Kayal,” weigher of the paddy lent out, and he is paid in paddy to the approximate money value of 6 annas to 8 annas per day of those transactions held, by the loanees at the time of repayment of that loan paddy.

(d) Those village bankers have got no transactions with town banks—Imperial or others.

One indigenous bank has got no connection with another such bank, each one carrying on its own business independently.

There is one central co-operative bank at Midnapore but the above village mahajans are not inclined to invest their money into that central bank.

Question 4.—In view of the fact that those village bankers do not carry on their money-lending business outside the village limits this question does not arise here.

Question 5.—(i) Small loans are granted by simple entries with signature or thumb impression on the regular account books of the bankers maintained by them in their ordinary course of business; in big transactions loans are given on mortgage of landed property, and those bankers strictly follow the provisions of the Limitation Act in their transactions. Loans are also granted on hand-notes on the pledge of ornaments, cattle, etc.

(ii) Those bankers never borrow funds for their business, they generally limit their business to their accumulated funds of their business augmented by their annual stock of paddy and money. They are not only mahajans, but they are also great agriculturists, obtaining thereby large amount of paddy annually. As such they do not keep any deposits.

(iii) Does not arise.

Those mahajans or bankers of the rural areas do not hold any transaction outside the village limits; hence (iv) and (v)—Nil.

Question 6.—(i) In big transactions of money rates of interests are 12 per cent. to 18 per cent. and in small transactions of Rs. 2 to Rs. 10. The rates of interest are found up to 75 per cent. and even more.

In paddy loans the rates of interests vary from 25 per cent. to 37 per cent.

From the poor loanees compound interests above those high rates are common.

(ii) The money-lending and paddy-lending business is also governed by the general principles of political economy—demand and supply. If in each thana banks of paddy and money (cash) be established with lower rates of interest—9 per cent. to 12 per cent.—those rates of the rural bankers can be easily brought down.

(iii) Yes, it is expected to improve them materially.

Question 7.—(i) There is no prejudice, on the contrary, by their hereditary customs, they think that those mahajans are their family assets.

(ii) Yes, I think they are more than sufficiently protected by law as they easily obtain decrees of 100 per cent. to 300 per cent. of the original debts.

(iii) No.

(iv) The dealings of those bankers are generally conducted on very unsound lines.

(v) Those bankers lend out their paddy and money keeping their eyes upon the landed property of the loanee, generally with the main object of getting the capital invested swelled by compound interests, and when it is found by the banker that the debts have run too high to get cleared by the loanee, the banker goes to the civil court and manages easily to appropriate the lands of the loanee by civil court decrees. By introducing and enforcing instalment system for clearing debts and fixing the maximum rate of interest proportionate to the capital invested, the defects may be removed partly. Some legislation on the points is urgently needed, on the above lines suggested, as under the present practice the banker realises the capital invested at the enormously high rates of compound interests by adding those high rates of interests to the original principal debts and changing the loan-deeds as often as liked by the banker to swallow the entire lands of the loanee; in many cases the banker also does not credit money or paddy in the accounts repaid by the loanee, and the latter, being illiterate, cannot understand the tricks of the banker. It is not uncommon that the loan repaid by the loanee is still shown in his account as a debt of the loanee and thereby the loanees are gradually becoming landless, all lands falling into the hands of bankers. The remedy lies in opening thana banks in each thana suggested above.

Question 8.—(i) and (ii) Vide Question 7 (v) and removing those defects by legislation.

(iii) No.

(iv) At first they may be defiant and discontented but in due time all such things would disappear, and the new measures would succeed in due time.

Question 9.—Minimum 18 per cent. and maximum 24 per cent.

Question 10.—As long as the loanee has got some lands to attract the bankers they meet all the demands.

Question 11.—(i) By opening thana banks having each central bank in each district town, and all such district town central banks linked with the Provincial Bank at the capital town.

(ii) Yes, as suggested above

(iii) By taking the local directorate.

(iv) I think the competition cannot be avoided at the start, as those bankers are not expected to join the proposed new banks, but in course of time they may be compelled to come on the direct rate of those new banks if the loan business can be centralised in each thana bank.

Question 12.—(i) I think so.

(ii) No.

(iii) Does not arise.

N.B.—In conclusion I beg to add that the loanees who are generally all cultivators by profession have been growing landless, by unfair means of these bankers. Some legislation is necessary to restrict rates of interests and to enforce instalments for repayment of the debt within the fixed time thereby to stop the liberty of the bankers to get the invested capital swell enormously for swallowing the lands of the poor cultivators.

19.

Mr. B. C. Adhya, Circle Officer, Mahisadal (Midnapore).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturist obtains finance—

(a) for expenses during cultivation in a few cases from the savings of previous years and in most cases from local professional money-lenders in the shape of loans, both in cash and in kind. Loans are also occasionally taken from co-operative credit societies which are very few in number;

(b) for capital and permanent improvements from the same sources as in (a);

(c) for other special needs, *e.g.*, failure of monsoon, for land revenue, rent, etc., from Government, principally in the shape of Land Improvement and Agriculturists' Loans and from local professional money-lenders in a few cases.

(ii) The rate of interest charged in respect of advances in kind is 25 per cent. per annum, and in respect of advances in cash 24 per cent. and 37.5 per cent. simple interest, just as the advance is secured or unsecured. The period for which loans are taken is usually harvest year for paddy loans and three years for unregistered and six years for registered promissory notes. The term for land mortgages is 12 years. The security given and accepted is either standing crops, ornaments or lands. The percentages of secured and unsecured loans are 75 and 25, respectively.

(iii) The part played in agricultural finance—

(a) by Government consists mainly in the distribution of Land Improvement and Agriculturists' Loans in times of scarcity as also in the distribution of various kinds of seeds and manure of a superior quality to the agricultural classes for the purpose of carrying on agriculture on modern scientific lines;

(b) by Imperial Bank of India and Joint Stock Banks is nil. There are no indigenous Banks or bankers;

(c) the Tamluk Central Co-operative Bank plays an important part by supplying nearly 10 per cent. of the needs of the agriculturists. The rest is supplied by local professional money-lenders, who, in spite of their exorbitant interest, constitute the main pillars of agricultural finance on account of their being too easy of access. Until recent times, the sole monopoly of financing agriculture can be said to have existed in the hands of these capitalists, who made money out of their capitals at the cost of the poor cultivators to whom the modern co-operative credit facilities were a sealed book.

(iv) The total amount of capital required for the various purposes stated before may roughly be estimated at Rs. 10,00,000.

(v) The major portion of agricultural finance being derived from local professional money-lenders, the exorbitant interest charged by them becomes a great hardship on the poor agriculturists, who in spite of all this, have got no other alternative than to look for support to these usurers in times of need and distress. Another prominent defect noticeable in the present system of financing agriculture is the rapid

accumulation of too much money in the hands of a limited number of capitalists who care more for self-aggrandisement than anything else, which reminds one of the famous lines—

“ Ill fares the land, to hastening ills a prey,
Where wealth accumulates, and men decay.”

The capitalist has, no doubt, his own place in the sphere of economic activities of the country but so far as the poor agriculturist is concerned, he is dangerously useful. His pecuniary help to the cultivator in times of distress subsequently assumes such terrible dimensions that it sits tight upon his breast like a nightmare and brings him to ruin beyond all prospects of relief.

The principal reasons for the existence of the above defects are (1) lack of co-operative credit facilities in the mufassal and (2) no less the general illiteracy of the agricultural population. The agricultural classes are, generally speaking, simple-minded people with a narrow range of vision and scarcely any knowledge of the fundamental principles of economics. Their blind attachment to primitive social customs drives them almost unknowingly to a state of financial crisis which they are incapable of tiding over.

The undesirable exploitation of the weaknesses of these simple folk by their more fortunate brethren can, to a considerable extent, be remedied, if credit facilities be extended through the length and breadth of the country by the organisation of a sufficiently large number of co-operative societies in suitable centres of agriculture with a view to meet all possible demands of the agricultural population with a fair amount of justice. There should be one central organisation controlling and regulating the operations of all the branch societies which should aim chiefly at the greatest good to the greatest number. If this is done, there is a fair chance of the hitherto uncontested monopoly of agricultural finance being wrested out of the stubborn clutches of the self-centred capitalists and ultimately vested in the safe hands of a certain sensible and responsible section of people.

(vi) There is at present no co-ordination among the various credit agencies including Government. Much good might be done to the agriculturists, if the various credit agencies worked in co-operation with Government with the common object of ameliorating the condition of the agricultural population. There might be one method of work for all which requires to be formulated in such a way as to suit the existing conditions of life and facilitate the operations of all the agencies by a process of mutual help and support.

Question 2. (i) The present method of marketing principal crops, e.g., paddy and jute, can be called an indirect method, in view of the fact that the producer has no immediate or direct concern with the consumer. The raiyat usually takes his produce to a local market and sells it either to a retail dealer, who, in his turn, sells it to the consumers or he sells it to a wholesale merchant who transports it to Calcutta markets where he makes a handsome profit out of it. The producer is thus for ever left in the dark about the several processes through which the product passes before it attains its ultimate value which is almost always in its enormity inconceivable to the producer. He has no other alternative than to content himself with the small price he gets at the local market.

Neither can he hold up his crop for a better price for any length of time, simply because of the fact that having no resources of any kind at his disposal, he has usually to depend on each year's produce for (1) payment of rent, (2) repayment of loans and (3) clothing and other daily necessities of life, etc. Placed as he is from the beginning to the end of the year in the vortex of financial difficulties and his paddy and his purse being, generally speaking, one and the same thing, he has no room for speculation.

(ii) Matters would be considerably improved if co-operative sale societies were organised at suitable centres for the profitable marketing of indigenous produce. These societies, if sufficiently financed by local deposits and shares and loans from co-operative banks, can give the producer a fairer price, and can help to hold up the produce for a better market and sell it, when the opportunity comes, with a decent margin to themselves. Both the producer and the consumer will be benefited thereby, the former by a more reasonable outturn and the latter by a fairer price.

(iii) There is a Co-operative Agricultural Society and also a Sale Society attached to it at Dwarigeria in police-station Satahata, which are constituted by the local agriculturists. They are financed by the deposits of the members and loans from the Tamuk Central Co-operative Bank. The societies are still in their infancy but they have been gradually gaining ground since their start.

(iv) There are practically no facilities actually existing at present. Co-operative credit and sale societies are required to be organised at convenient centres for the financing of products during marketing.

(v) No.

(vi) Exports and imports are usually carried on by merchants or dealers, who are financed partly by their own accumulated capital and partly from the Tamuk Central Co-operative Bank and local professional money-lenders.

(vi) (a) The terms on which the financing of trade during export and import is done are the same as given in I (ii). The difficulties incidental to such financing, *e.g.*, high rate of interest, etc., can, to a considerable extent, be obviated by the extension of credit facilities by the organisation of a large number of co-operative credit and sale societies at convenient places as so many branches of one central organisation.

(vi) (b) There is strong ground for the suggestion that the grower of produce in India does not get the full value for his produce on account of the speculative buying and selling activities of firms and companies who deal in the export trade and on account of the control of prices by these and other bodies. A better return to the producer can be provided for by means of co-operative effort generally which is the only weapon for unseating the moneyed fortune-seekers whose unquenchable thirst has got to be satisfied before the product can reach the consumer.

(viii) None.

(ix) to (xviii) Inapplicable.

(xix) Immense good would be done to the agriculturists if licensed warehouses were operated in India on the lines of the system prevailing in the United States of America.

(xx) Yes.

Question 3. (i) The principal crops are paddy and jute. The valuation of lands in normal years is given below:—

Class of land.				Value per acre.	
				Rs.	Rs.
Paddy	200 to 500
Jute	150 to 350

There are various factors affecting the value of lands, *e.g.*—

- (1) Want of purchasers.
- (2) Encumbrances.
- (3) Auction sales and Sales by Court decree.

The above valuation relates to purchases by private negotiation. (a) Government auction for non-payment of revenue and (b) sale by Court-decree decrease the value of lands by 25 per cent. on an average.

Question 4. (i) No.

(ii) The amended Bengal Tenancy Act has to a certain extent influenced the credit of the agriculturists by diminishing the value of lands in cases of occupancy rights.

(iii) To some extent.

(iv) No.

(v) Co-operative principles have got to be adopted in establishing such institutions. A co-operative institution can, if it is sufficiently financed, lend money to individual tenants by land-mortgages at a considerably lower rate of interest than the prevailing one.

(vi) There is at present no necessity for (a), (b) or (c).

(vii) The working capital of the proposed mortgage Bank should be derived largely from deposits.

(xi) Interest given may be 8 per cent. and interest charged 12 per cent. per annum.

Question 5. (i) The following figures regarding the existing indebtedness of the agricultural classes of thana Mahisadal are based on the annual report of the Sub-Registrar, Mahisadal, for the year 1928:—

Nature of debt.	Year.	Amount. Rs.
(1) By registered mortgage	1926	4,56,607
(2) By registered promissary notes	1926	82,900
(3) By registered bonds ..	1926	18,712
Total	..	5,58,219
(1) By registered mortgage	1927	5,05,796
(2) By registered promissory notes	1927	74,700
(3) By registered bonds ..	1927	18,785
Total	..	5,99,281

Nature of debt.	Year.	Amount. Rs.
(1) By registered mortgage ..	1928	3,37,461
(2) By registered promissory notes ..	1928	64,200
(3) By registered bonds ..	1928	23,039
Total	..	<u>4,24,700</u>

The above figures represent 75 per cent. of the total indebtedness, the remaining 25 per cent. constituting the amount covered by un-registered documents.

The average of the last three years' figures is Rs. 5,27,400, which being 75 per cent. of the total amount of debts incurred, the average indebtedness amounts to Rs. 7,03,200.

(iv) The purposes for which the debts were incurred are—

- (a) the repayment of earlier debts;
- (b) marriage and other social occasions;
- (c) litigation;
- (d) payment of land revenue or rent;
- (e) growth of the debt by compound interest, interest not having been paid;
- (f) cattle, seeds and manure;
- (g) agricultural improvements.

(v) The debts are largely due to the local professional money-lenders and partly to the co-operative credit societies and the Tamluk Central Co-operative Bank.

(vi) Agricultural indebtedness has been increasing. This is also corroborated by the figures of the Sub-Registry Office. There may be a sudden fall in a particular year but that should not be allowed to affect the general conclusion to be derived from a study of the conditions of a series of years. The fall may be due to a particularly good harvest in the previous year or to the gradual increase in the number of co-operative credit societies in the mufassal.

(vii) The needs of the agriculturists are sufficiently met by the Land Improvement and Agriculturists' Loans Acts.

(viii) The operations of these Acts requiring a good deal of elaborate preliminary enquiry, greater promptitude in the operations can be ensured by the deputation of an adequate number of officers specially for the purpose. Some should be employed in making local enquiries and some in searching records in the Sub-Registrars' offices in order to examine the genuineness of the security given for the loans under the Land Improvement Loans Act. Others should be sent to the spots for distribution of loans.

(ix) None.

(x) None in my personal knowledge.

(xi) Very little, on account of the general weakness and ignorance of the agricultural classes. They might very well be helped by their more enlightened co-villagers in seeking relief in Law Courts.

(xii) Not known.

(xiii) Scarcely any such case.

(xiv) Societies should be organised by propaganda work at suitable centres of agricultural importance on co-operative basis under Government control. Seeds might be distributed through these agencies just before the commencement of agricultural operations and collected through them again during next harvest time with interest at a fair and equitable rate.

(xv) 25 per cent. per annum.

(xvi) Rates of interest charged vary from 20 per cent. to 30 per cent. per annum, simple interest. Paddy loans are unsecured. There is no systematic method of enforcing payment of the loan. Personal influence is used in most cases.

(xvii) and (xviii) Yes.

Question 6. (i) Nearly 60 small subsidiary gur-making and 3 hand-spinning industries supplemental to agriculture.

(ii) By organisation of co-operative societies with supplementary co-operative sale societies for marketing the products.

(iii) The major portion of the Midnapore district being a largely cocoanut-growing area, industries might very well be started for preparation of cocoanut-oil on a large scale and also of ropes from the cocoanut fibres. This will go a long way towards supplying work for the peasantry during their comparatively idle hours.

(iv) The working capital might very well be secured from intending shareholders of the industries as also from co-operative banks.

(v) There should be a financial machinery based on co-operative principles.

Question 6A. (i) No such industry in my area.

Question 6B. (i) The local professional money-lenders are the only sources.

(ii) The purposes are usually (1) marriage, (2) litigation, (3) famine and other kinds of distress, (4) payment of rent, etc. The rates of interest are usually 37.5 per cent. in case of unsecured and 24 per cent. in case of secured loans.

(iii) They are getting help in times of need but provision should be made so that the day labourers having no lands to offer as security may get loans on personal security in special circumstances.

(v) Increasing in the case of small traders and middle-class gentlemen. The latter are often liable to run into debts for no other reason than to maintain a style which their purses do not approve of.

Question 7. (i) No co-operative bank in my area.

(ii) The co-operative societies are still in the making.

(iii) Rupees 10,00,000 for my area.

(vi) It is really desirable to grant financial concessions in order to stimulate the growth of the co-operative movement.

Question 7A. (i) Yes, in order to popularise the co-operative movement.

(ii) Yes, as much as is consistent with existing local conditions.

(iii) Yes, because each would thereby improve the financial position of the other.

(iv) Inter-dependent.

Question 7B. (i) The establishment of co-operative societies has to a certain extent checked the unreasonable demands of the professional money-lenders.

(ii) But scarcely any professional money-lender of importance has been replaced thereby.

(iii) The most prominent amongst all the factors that operate against the rapid spread of Co-operative Banks in rural areas are (1) the influence of the local professional money-lenders who are either zamindars or merchants, (2) the general illiteracy of the people and (3) lack of investment habits.

Extensive propaganda work from village to village is required to train the people and persuade the leading local gentlemen to form co-operative societies and banks.

Part 1A—Loan Office and Joint Stock Banks in the mufassal.

None in my area.

Part II.—Indigenous Banking.

None in my area.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (iii) Postal Savings Bank and Co-operative Bank.

(iv) Yes, so far as the Postal Savings Banks are concerned. So far as the co-operative bank is concerned, the question has been dealt with in the answer to question 1 (v) of Section I.

(v) Yes, by organisation of sister co-operative banks.

(vi) The less enlightened people with old conservative ideas still persist in their habits of investing in silver and gold. They keep lumps of silver and gold, usually rupees, sovereigns and guineas, preserved in brass pots and buried underground in some secluded corner of their dwelling houses or concealed in the midst of walls for the benefit of their heirs, the most beautiful part of the transaction being that the benefit is not unoften reaped by persons who could not have dreamt of laying any valid claim to the hidden treasures. Jars of silver and gold have been found while digging sites of old houses for the construction of new ones.

Question 2. (i) Yes. The popularity can be increased by propaganda work.

(ii) and (iii) Yes.

(iv) Principally service-holders who are in need of safe custody.

(v) Increase in the rate of interest.

(vi) The people have greater faith in Government than in banks.

Question 3. (i) I can recommend some concessions for the small agriculturists and investors of the country in order to popularise the securities.

(ii) None.

(iii) and (iv) The agriculturists usually keep the moneys with them for ordinary expenditure and the surplus if there be any left at all, remains in their hands as a reserve for future years.

The educated gentlemen purchase cash certificates and other Government securities and also invest in banks.

Question 4. (i) to (iv) No cheque habit in my area.

Question 5. (i) Yes.

(ii) (a) Lack of enterprise;

(b) Illiteracy of the masses;

(c) A general ignorance of the fundamental principles of economies and

(d) Last of all, though not the least, a prevailing primitive idea of the insecurity of money entrusted to others.

(iii) Yes, I am strongly in favour of propaganda work as an effective means of encouraging investment habits amongst the people.

(iv) Extension of banking facilities and a consequent stimulation of trades and industries.

20.

Mr. Bijay Kumar Bhattacharjee, Circle Officer, Tamluk (Midnapore).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) Savings from previous takings by a number of the more prudent section of the peasantry which in no case in the Tamluk Circle exceeds 25 per cent. of the agricultural population. Loans from local mahajans (generally landowners) by the rest.

(b) Loans from mahajans principally.

(c) In good agricultural years from the outturn of the land; in cases of distress loans from mahajans and Government.

(ii) **Rate of interest**—(a) When in kind—varies from 25 per cent. to 50 per cent. of the stock (paddy) advanced.

(b) When in cash—20 per cent. and upwards per month on simple money bond. In case of secured loans on land mortgage or bullion pawns, the rate of interest is often reduced to 1 per cent. to 1·5 per cent. of the principal.

(c) Percentages of secured and unsecured loans to the agriculturists in Tamluk circle—33 per cent.; 67 per cent.

(d) **Nature of security given.**—Generally, standing crops, next ornaments and bullion pawns and last land mortgage.

(iii) Part played in agricultural finance by—

(1) **Government.**—Confined to distributing agriculturists loan in times of distress and supply of seeds and seedlings by the department concerned if demand be made on a large scale by a composite body in any particular area.

(2) **Imperial Bank of India.**—Practically nil.

(3) **Joint stock banks.**—The unorganised peasantry get no benefit from the banks.

(4) A certain section (about 10 per cent. of the whole), where village societies have been formed and affiliated to the Central Bank, get loans on easier terms (by 50 per cent. ordinarily as compared to what obtained with the mahajans).

(5) There exists practically no indigenous banks or bankers in the true sense of the terms in these areas.

Professional money-lenders are also generally big landowners and as such stockers of principal food crops. Naturally they are the chief agency to which the peasantry turn for their finance, both in cash and kind for agricultural operation. It may be said that up till now these people monopolise the field in so far as agricultural finance is concerned. Though the system has many defects and is apparently pernicious to the interest of the agriculturist primarily and to the other branches of the society in the long run when examined under canons of the modern relations amongst capital, production and distribution, yet it has at least this merit of its own that it suits the prevailing conditions of the agricultural section of the body politics far better and more than any other system based on principles suited to the more advanced and organised industrial bodies of foreign countries.

One of the main reasons of the above observation is that it is not always and in fact very seldom indeed that the mahajan, though usurious and extorting by habit, demands any tangible security for making the advance when it is most needed, which it is well nigh impossible in the modern banking system for the poor cultivators to obtain loans from organised banking bodies. Till the people have been so taught and organised as to understand and practise the fundamental principles of individual and corporate thrift and credit, it is difficult to conceive how banking, in the modern system as distinguished from the crude one in monopoly of the mahajan, can improve the situation to any appreciable extent.

(6) **Merchants and dealers and other organisations giving credit.**—Practically nil in the area concerned.

(iv) Rupees 7,00,000 for the Tamluk Circle comprising Tamluk, Panskura and Moyna thanas (the figures have been arrived at by working on the data collected for determining the percentage of gross loss compared to the gross cost of operation in 27 flood stricken mauzas of unions 11 to 13 of Panskura thana in August this year). The approximation may be taken as fairly accurate for conditions throughout this circle are very much the same as obtained in the area in which actual data were collected after local enquiry in details.

(v) The defects in the present system of financing agriculture may be noted as follows:—

- (1) Exorbitant rate of interest.
- (2) Very often part of the capital obtained for agricultural purposes is appropriated under heads unconnected with tillage.
- (3) No return for interest paid for want of co-operative banking.
- (4) Insufficiency of funds in the hands of the mahajan to meet the demand of all when made almost at the same time.

The chief reason of the existence of these defects is no doubt the utter ignorance of the agricultural population to adjust themselves to the new conditions which, being thrust from without, are replacing the medieval system root and branch. Amongst other causes may be mentioned: (1) want of habit of thrift which induces an individual to save at least a fraction of his earnings, however small, at any cost;

(2) extravagance beyond means and often by loans for occasions like marriage, funeral ceremonies and casual festivities, etc.;

(3) absence of knowledge and facilities to augment income and guard against losses by natural visitation; and

(4) not unoften ruinous litigation.

The remedies in outline may be suggested as follows: (1) Territorial division of the areas into suitable units for intensive propaganda, preaching and demonstrating the principles of advanced agriculture with those of the cognate branches of banking, formation and working of sale societies and adjusting every unit to be a harmonious member of the Central Agency, of which the function should include everything from collecting funds to the distribution of the ultimate interest to the producer themselves. Any system conceived for this purpose on western lines must need be a bit too complicated and as such the method must be brought into being by a process of graduation and at every stage care must be taken to assimilate any particular branch to the local conditions.

(2) Immediate introduction of primary practical education to the agricultural population.

(vi) Practically non-existent.

Question 2. (i) The raiyat sells the surplus stock to the middlemen (generally mahajans and fariahhs who, in turn, after stocking whatever is considered sufficient for carrying on his own trade, disposes the remainder at principal Ganjas and marts. For the Tamluk Circle, however, it may be said that very little paddy is left out as surplus after satisfying the local needs and excepting some jute and vegetables, no export is made from the area. The rice mills at Kolaghat are supplied with materials imported from other parts of the district, principally through Gewakhali.

The raiyat in most cases is unable to hold up his crop for a better price for the simple reason that what with his wonted extravagance and what with the general paucity of outturn and other reasons detailed in clause (v) of Part I of this report, he is very often than not left with nothing but the present crop at hand to meet all his necessities of life and to defray the charges like rental, taxes and payment of interest, which he has to do like any other member of the society.

(ii) This may only be possible after the people had been taught the unavoidability and ultimate benefit of the system in meeting the situation which has arisen out of the international nature of every form of modern trade, commerce and industry.

(iii) None in Tamluk Circle. There is one at Dariberia in Sutamata police-station (Mahisadal Circle) constituted on co-operative basis. It is linked with the Tamluk Co-operative Bank, Limited, which finances the society. Its financial and general condition is not reported to be what it should be.

(iv) The question involves the broader issue of adjusting conditions of international agreement; for so long as the foreign financiers, who ultimately utilize the surplus material of this country in producing finished goods, continue to hold the whip-hand in the bargain, the unorganised raiyat of this area can hardly hope to hold against possible wholesale dumping for any length of time. The only remedy for the time being appears to be creating strong co-operative bodies backed by public funds, if necessary, and bringing the facilities within the reach of everybody by preaching and propaganda as already suggested above.

(v) From the nature of the problem it is clear that the question can hardly be considered from the separate view points of internal and foreign trade, so intricate a relation exists between the two. From the internal trade point of view it may be said that unless by means dealt with above, the general productivity of the soil be enhanced, no form of better exchange system as between one part of the country to the other, would do to ameliorate the ultimate condition of the raiyat of the Presidency as a whole, and unless the agricultural industry be supplemented by collateral industries for finished goods, the question of enhancing natural dividend and thereby bettering the credit of the raiyat on a better process of distribution, investment and ultimate increased return, is bound to lie for final decision in the hands of the outside capitalists, who for fairness to themselves at least, can hardly afford to meet all the reasonable demands which this country may make for the raw materials supplied in exchange of cash and finished stock. It is impossible almost to arrive at a fairly satisfactory opinion on such a big and intricate question from the examination of the conditions obtaining in so small unit as a circle, yet from what has been seen, the broader issue of the foreign trade and its almost unilateral character in the bargain needs to be adjusted first before any effective credit facility can be created and maintained for the final tiller of land. Of course it is quite feasible to effect it from work within, but that will require almost the entire care of a separate department of the State created for the purpose, which, from the nature and magnitude of the task detailed above, will require to be so constituted as to be of no less importance and efficiency than any of the best departments of the machine of administration.

(vi) (a) The chain of extremes and means in this case may be given as follows :—

(1) Raiyat.

(2) Petty fariah (who often works on his own capital ranging from Rs. 200 to Rs. 500 in general) who attend raiyats' place or small hats, etc.

(3) Bigger fariahhs may be termed as brokers who operate in more important marts and Ganjas. They have both capital of their own as well as credit with the bodies they are connected with.

(4) The regular individuals and firms working as export and commission agents. These are the people who have any actual credit with the banks. Ordinarily they wield huge resources of their own as well as of corporate bodies and are stationed in the Presidency and port towns.

Very often there are to be found several more intermediaries between (2) and (4) with graduated resources and importance, and it is evident that the more intermediaries there are, the more has the primary seller to sacrifice and ultimate consumer to pay, even though the actual profit from the cost of marketing to that at which the either extreme get the commodity be sub-divided in such a way as to leave small margin to any of the middlemen.

(b) *Mutatis mutandis*, the process is reversed.

(vi-a) Exchange amongst dealers Nos. (1) to (3) above almost always on cash terms; between (3) and (4) sometimes and amongst those under head (4) is almost exclusively by drafts.

Besides the inherent danger, difficulty and cumbrousness in carrying cash always, the besetting defect of the system of exchange when (1) is concerned is that the raiyat getting all his return for labour in cash at a time is bound to become extravagant and subject to the evil influence of luxury for the time he is in funds. This directly contravenes in the way of his saving anything when he can afford to do so if he chooses. Existence of and payment in bank is bound to force any and everybody to leave back at least some margin, however small it may be, even when moneys are withdrawn therefrom under extreme need and stress.

(vi-b) Dealt within 2 (v) above.

(vii) Does not arise in my circle.

(viii) For mufassal areas practically no such facilities exist. The parties have invariably got to carry cash to make payments for any purchase they may make.

(ix) Defects of the existing system are detailed in (vi) (a) of this section. To that it may be added that even after squandering away, what is left to the raiyat (if any, of course, at all) remains out of circulation and hence in an unproductive state. Non-application of this portion of the capital in productive investment is a serious defect in the economic condition of the raiyat. Training of people in co-operative banking system and easy and reliable availability of rural banks are the principal remedies.

(x) Practically nil in my circle. As between dealers Nos. (3) and (4) noted in clause VI (a) of this section drafts and hundis emanating from reliable firms go a long way to obviate the necessity of carrying cash from place to place. The telegraphic transfers, supply bills and cash orders issued by the Imperial Bank on its Branches and Treasuries have also done much to facilitate transfer of large sums in mufassal centres during the jute season. The actual raiyat has however had nothing to do therewith.

(xi) None.

(xiii) To a certain extent, but that will also go to the middlemen unless the raiyat be trained first to know of the use of hundis, or drafts or the facilities for exchange.

(xiv) Nothing at present.

(xv) Does not arise here.

(xvi) As above.

(xvii) None in my circle.

(xviii) Does not arise.

(xix) As above.

(xx) Suggestions given in 2 (v) above.

Question 3. (i) (a) Paddy land, Rs. 300 per acre.

(b) Jute land, Rs. 250 to Rs. 300 per acre.

(c) High land (growing vegetables) Rs. 200 to Rs. 300 per acre.

(ii) (1) Forced nature or not of the sale—

(2) Capacity of the vendor to hold for negotiation,

(3) Accessibility of the spot, and

(4) Terms on which held from the superior landlord—

(a) Generally causes the value to fall by 50 per cent.

(b) As above.

(c) Brings equitable price if the seller has recourse to carry on bargain.

Question 4. (i) Nothing more than what is the outcome of the Bengal Tenancy Act.

(ii) Not yet appreciable.

(iii) The law would be required to be amended so as to guard against fragmentation of holdings before such credit institutions can be established.

(iv) There is only one land mortgage bank, viz., the Tamruk Loan Office Company, Ltd.

(v) and (vi) Money is raised by this body by—

(1) Selling shares,

(2) Accepting cash deposit,

(3) Pawn-broking, and

(4) Land mortgage business.

They advance money to apparently solvent parties on sufficient security. Personal security is accepted only in very rare and well-known cases.

(vii) (a), (b) and (c) Matters with the existing body are not yet so intricate as to warrant any measures to be taken just now under these heads.

(viii) If any more such mortgage banks are to be established the working capital at the first instance should be derived from—

(b) Funds of a central institution.

(ix) and (x) Do not arise.

(xi) Government guarantee would easily dispel any popular distrust which exists against the solvency and proper working of such banks and will draw out at least a portion of the stagnant capital of the people. Terms may be settled on the actual result of the working of the sister bodies which to say on facts already obtained are being run on as a fairly sure and paying proposition.

(xii) Does not arise.

Question 5. (i) It is difficult to arrive at an accurate estimate of the indebtedness of the agricultural classes even though such a small unit as a mauza be accepted as the basis of calculation; and the principal reason is the reticence of the people themselves to impart any knowledge in this respect for reasons known to themselves. On the examination of the data however which I collected for drawing up the damage statement of the flooded area in August last, I am in a position to record that over 60 per cent. of the peasantry of the circle have had to take loans either in cash or in kind to go on with his profession and in a typical village (viz., Nili or Maliaraha, police-station Panskura) of 300 souls (with 60 families), of whom the cultivators form the major portion by as many as 85 per cent. and indebtedness of Rs. 2,000. This figure is however acceptable under the proviso that there are areas, though few, in which almost none is compelled to borrow money at all. The major portion of Moyna police-station comes under this category. The general average for the circle will therefore come to be Rs. 1,200 for a typical village as stated above.

(ii) An estimate with reasonable accuracy can only be obtained by examining the books of the mahajans and pawn-brokers; but as that is well nigh impossible without taking recourse to mandatory legislation, the other alternative left is to go round and inspect when the cultivation seasons set in, examine the available resources of the peasant and deduce the amount of deficit which he must provide for by borrowing.

(iii) Secured loans form but 33 per cent. of the entire borrowing by the peasantry. Of this, more than (a) 80 per cent. goes against land mortgage; and (b) 20 per cent. on other pawns enumerated in the question.

N.B.—The above statement applies only in cases of money loans. But it must be remembered that about 50 per cent. of the gross loans are in kind and security thereon on the above scale, i.e., 33 per cent. or a bit above is made up by prospective crop. That however can hardly be considered as a security at all.

(iv) (a) In very few cases.

(b) Occasionally.

(c) Litigation, about 15 per cent.

(d) Where no relief from outside is forthcoming; but not much.

(e) In some cases.

(f) As in (a).

(g) The bulk, forming 75 per cent. or above of the gross figure.

(h) Hardly any.

(i) Very rare.

(v) Professional money-lenders.

(vi) It must be going on increasing though slowly indeed.

(vii) Not much.

(viii) Preparing the people by education and propaganda to understand co-operation and action as a corporate body.

(ix) Not many excepting a few indenting and hawking warm clothings.

(x) Not available.

(xi) Not much; as the professional local money-lenders take good care to realise their dues as soon as the harvest is over and crop is still in storage. They being influential people and the only person to whom help must be sought on however exorbitant terms in times of distress, very few can afford to refuse higher rates of interest voluntarily and come to the Court to reap the benefit of the Usurious Loans Act. Of course, the great bulk of the money loans has to come up to Courts for final settlement; but parties here are generally not altogether agriculturists. Such fights are ordinarily fought between parties who are more or less profiteering by usurious money-lending or some allied profession *albeit* they have got cultivation to do as well.

(xii) Not known.

(xiii) In majority of cases of money loans the face-value of the bonds executed is never actually advanced to the borrower. But this is done more to secure realisation of interest than to cover an actual high rate evading the provisions of the Usurious Loans Act.

(xiv) Opening of stores at centres of typical units as stated above under direct official control. The agricultural department must be much expanded for this purpose.

(xv) Given in answer to question 1 (ii) (a) above. It varies from 25 per cent. to 50 per cent. of the store advanced.

(xvi) Answered in question 1 (ii) (a): 2 per cent. for unsecured and 1 per cent. to 1.5 per cent. for secured loans. Calculation is made on months and at simple rates almost always in case of secured loans and in 80 per cent. of unsecured loans. On the remaining 20 per cent. of unsecured loans compound interest is charged, but is very seldom realised when the lenders have often to fall back and recalculate on simple rate. The Courts never allow compound interest.

(xvii) In quite a good number of cases.

(xviii) Certainly. In this year's flooded area (10 square miles), although recultivation taken timely would have yielded at least 50 per cent. of the normal crop, the great majority of the cultivators refused to undertake it, because they were no longer the owners of the lands and because those into whose hands lands had passed failed to pay the higher rate or wages on hired labour. The cultivable lands had after all to go abegging between one and the other.

Question 6. (i) There are altogether six rice mills at Kolaghat and three at Mechada within my circle, but these are hardly supplemental to agriculture for the people who are running it are themselves capitalists. Excepting this and a few hand spinning families in Moyna police-station, it can hardly be said that any subsidiary industry exists in the area.

(iii) The soil being quite fertile in most places, intensive cultivation of valuable vegetable, e.g., cabbages, cauli-flowers, potatoes and fruits, e.g., plantains, cocoanuts and pine-apples is sure to supplement the ordinary cultivators' income very considerably. Poultry and fish breeding may also be undertaken with profit in this pond-infested tract of country.

(iii) What has been stated above will be sufficient when translated into action to give the cultivators at least 50 per cent. and often more income than he is getting at present. He must however be raised above his lethargy against hard labour and superstition against killing or maiming wild monkeys and jackals, the depredations of which, to my surprise, I have come to know, have been the cause of dropping the cultivation of sugarcane altogether and very considerable falling off in the acreage under vegetables throughout the subdivision. Then again instructions and aid with seeds, manures and improved implements must come forward along with propaganda from a department of the State, and the agricultural department must be expanded and made more energetic than at present. In short as the raiyat is unable to search out the good things provided by modern science, those must be carried to his own doors by all concerned and having the good of the country in his mind and heart.

(iv) Forming co-operative societies on Government.

(v) Security for small units with right sort of people to operate therein.

Question 6 A. (i) Does not arise.

(ii) As in 6 (iv) and (v).

Question 6 B. (i) All have to go to the professional money-lender. Exception can be counted only in cases of a few living in townlets.

(ii) Middle class gentry has got to incur debt to meet capital charges on the following amongst others:—

- (1) *Sradh* of father and mother,
- (2) Marriage of daughters,
- (3) Education of boys, and
- (4) Medical treatment in serious cases of illness and maintenance during the period of unemployment.

The other people generally borrow money to start a new business or profession.

Rate of interest is very much the same as given in cases of agricultural population. For exceptionally solvent parties the rate for unsecured loan may come down to 1 per cent. and for secured loan $\frac{1}{2}$ per cent.

(iii) Nothing very much different from the treatment meted out to the agriculturist clients.

(iv) Stationary.

Question 7. (i) Not available.

(ii) As above.

(iii) Not yet.

(iv) and (v) Not much. Excepting the fact that co-operative banks being under direct Government supervision naturally receive more patronage from the clientele, and command larger amount of confidence and are decidedly on a better basis of operation than joint stock and other indigenous banks.

(vi) Yes.

Question 7A. (i) Certainly in bona fide cases.

(ii) Yes, with due safeguards to the interests of the stock holders.

(iii) Yes, when the condition of the participating bodies is above reproach. There should be a third and impartial central body to adjudge fitness in such cases.

(iv) The co-operative central banks may and should continue to be the parent bodies in affiliation to which the rural societies should act.

(v) Does not arise just now.

Question 7B. (i) and (ii) The rate of interest has certainly assumed a more standardised form and tends towards a lower limit; and that compound interest is already a matter of past.

(iii) Apathy and distrust of the people in investing their savings with these bodies. Want of thriftiness amongst the classes: ignorance, incompetence and not unoften want of business integrity in the character of the people entrusted with running the machineries.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (b) Two primary—namely (1) Tamluk Central Co-operative Bank and (2) Tamluk Loan Office Company, Ltd.

Question 2.

		Co-operative Bank, Ltd.		Loan Company Ltd.
		Rs.	A.	Rs.
(a) Paid-up capital	..	51,030	0	20,000
(b) Reserve Fund	..	9,580	0	30,000
(c) Short-term deposits	..	1,58,957	0	2,18,033
(d) Intermediate deposits	..	70,435	3	2,67,865
(e) Long-term deposits	..	98,006	9	

Question 3. (i) Tamluk Central Co-operative Bank—

- (1) 2 years' fixed deposit, 7 per cent. per annum.
 - (2) 1 year's fixed deposit, 6½ per cent. per annum.
 - (3) 6 months' deposit, 5½ per cent. per annum.
 - (4) Current deposit, 4½ per cent. per annum.
- (ii) 2 years.

Question 4.

	Bank.		Loan Company.		
	Rs.		Rs.	A.	P.
(a) Current deposit in Government and other banks	62,013		1,88,693	3	0
(b) Loans against immovable properties ..			2,35,823	0	6
(c) .....	..	..	....
(d) .....	..	..	1,43,166	9	9
(e) .....	..	..	3,353	15	0
(f) .....	..	..	....

Question 5. (i) The ordinary stipulation for agriculturist clients is for repayment on the harvest of the principal crops for which they are taken. In other cases usual limitation is set to the recognised half-year or year endings prevalent in the locality.

(ii) Not available.

(iii) Nothing excepting the incidental charges on stamps, registration fees, etc.

(iv) Answered in (ii) and (iii) just above.

Question 6. (i) Yes, generally on land security.

(ii) In the absence of improved rural agencies operating in smaller territorial units.

Question 7. (i) Nothing worth notice.

(ii) Because banking system is a new thing and has not yet been understood far less assimilated by the people to be accepted as the primary factor of their fiscal exchange.

Question 8. (i) 25 to 30 per cent.

(ii) 15 per cent. to 17 per cent.

Question 9. (i) Accounts kept on single entry system.

(ii) Yes.

Question 10. Already dealt with in answer to 2 (v) above.

Question 11. By opening centres in rural areas under efficient management and guidance. These also require Government guarantee above all to warrant popular confidence.

Question 12. Not known.

Part II.—Indigenous Banking.

Question 1. There are a few bodies such as Tamluk Agricultural and Zamindari Company, but the only function which they undertake is lending money on security or simple money bond as any other private money-lender.

Question 2. Practically nil. Directly.

Question 3. (a) to (d) Not known.

Question 4. Non-existent.

Question 5. (i) and (ii) By contribution from partners.

(iii) and (iv) Nil.

(v) Not at present.

Question 6. (i) The mean between what is paid to the professional money-lender and Loan Company, Ltd. This may be accepted as 1.5 per cent. for the unsecured and $\frac{1}{2}$ per cent. to 1 per cent. in case of secured loans.

(ii) By general overhauling of the whole system as stated above.

(iii) Only if the true principles of the benefit of banking be imbibed and acted upon by the people. Without such training lowering of interest would rather tend unlettered people to borrow money with less care than in cases when they have to pay prohibitive interest. The ruinous effect of easy term loans has been manifest in a number of cases lately.

Question 7. (i) to (v) These bodies are not numerous and important enough to yield workable data on the questions.

Question 8. (i) to (iv) None at present.

Question 9. Certainly living wages which cannot at any event be less than 10 per cent. of the capital invested.

Question 10. Working with small capital and less credit these bodies can hardly accommodate all.

Question 11. (i) Means should be devised to keep these bodies in funds. No suggestion can yet be made on the exact nature of details as to how this is to be done.

(ii) and (iii) By any of these the desired result can hardly be expected without Government guarantee at the outset reiterated more than once above.

(iv) By setting up a superior controlling agency which may regulate against any possible friction and overlapping in operation. Mutual understanding and harmony would also do much; but that is a matter of experiment.

Question 12. (i) Not much; but as with individuals so with these bodies money cannot be always invested for want of proper safeguard against loss. Confidence in rural bodies above other things, must be created and maintained to make them successful.

(ii) Yes, to a considerable extent.

(iii) Already dealt with above in reply to 1 to 6.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) Does not arise.

(ii) Not at present.

(iii) Institutions like Postal Savings Bank down to investment in insurance and stocks.

(iv) No.

(v) Yes. On Government guarantee and material help with trained hands in organisation and running at least at the outset.

(vi) The habit of investment of this sort is a long standing one and there is little likelihood of its being wiped out altogether. Spread of effective, easily available, and moderately profitable banking bodies are however seen to draw out a very considerable portion of the blocked up capital in silver and gold. Once the taste of interest is acquired, the investment habit is bound to increase steadily as it did elsewhere in the world.

Question 2. (i) These were quite popular but the reduction of interest has certainly caused a setback thereto.

(ii) The terms offered originally may be profitably resumed.

(iii) No. The interest is too low; besides the withdrawal rule and maximum deposit acceptable in a year are unacceptable to many who may have reason to choose Postal Savings Bank as their investment agency. In fact it is mature opinion of many that the cost paid for the absolute security of the deposit is indeed too much.

(iv) People with small and uncertain income in general.

(v) By allowing at least 3½ per cent. interest and relaxing rules of withdrawal and annual maximum of deposit.

(vi) To a certain extent; but as Government stocks will always continue to fetch less interest in lieu of the absolute security offered, in the more dashing elements will never hesitate to invest money in other concerns provided reasonable security be obtained either from express guarantee of the Government or excellent internal condition of the institution, full information about which must come to the people made intelligent by education. The value of departmental propaganda is essential to secure this end.

Question 3. (i) and (ii) Not in a position to do so at present.

(iii) and (iv) Already dealt with above in (1) and (2) (vi) (a). As the raiyat gets the entire return of his labours of a year at one or two seasons (as the case may be) in lump cash the surplus remaining after the demands on his purse as taxes, rents and interests payable in cash, is at once spent away by him on articles which may and should be hardly called anything but ruinous luxury on his part. Of course, none can deny the hard-working and often underfed agriculturists, some taste of plenty at harvest time; but withal had there been such things as payment by cheque or draft on banks, he would have been very careful in ordinary circumstances to leave back at least a fractional residue into his credit at the time of withdrawing moneys. As it is, he gets some money after a year's hard toil, meets his demands and spends his surplus feverishly to stoop down to his own abject wretchedness within the shortest possible time.

The question of investment to follow agriculturists and the investment growth and distribution of a capital amongst and amidst indigenous population is therefore out of question practically at present.

Question 4. (i) Nothing here.

(ii) Does not arise.

(iii) and (iv) Not relevant in the present state.

Question 5. (i) Yes.

(ii) As elsewhere. The unsettled condition of the state: the absence of necessity for complicated exchange: non-existence of the gigantic corporations and syndics handling world's trade and finance in all branches on international basis.

(iii) Yes, as endorsed above.

(iv) The results show that it has much to do towards opening up stagnant capital, besides facilitating its primary purpose of financing existing concerns in touch with it.

21.

Mr. E. N. Blandy, Deputy Commissioner, Darjeeling.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) Both in this district (Darjeeling) and in other places where I have worked, the cultivator has recourse to the money lender usually and also the co-operative societies where these are successfully run. Loans from money lenders may be taken in cash or in kind (seed), the latter being repaid after harvest with interest: money loans unfortunately tend to run on. The rate of interest varies from 40 to 60 per cent.

(b) In this district loans are taken for starting cardamom cultivation which is expensive at the beginning, but it is a fairly safe generalisation that the cultivators of Bengal never think of borrowing money for permanent improvements.

(c) The agriculturist usually manages to pay his rent or revenue out of his harvest but in bad years he has recourse to the mahajan or the co-operative bank, if any. Government assists in cases of bad distress by advancing taccavi loans.

(ii) The rate as already noted is here 40 to 60 per cent. The loan is usually to the next harvest and secured on the harvest, but when a man is well known to the lender and the amount is small no security will be taken.

I can give no figures for secured and unsecured loans.

(iii) (1) Government—directly by taccavi, etc.; indirectly by its currency operations.

(2) Imperial Bank—indirectly through co-operative banks and by Government's currency work.

(3) Joint stock banks—indirectly through co-operative banks and by Government's currency work, but to a smaller extent.

(4) Co-operative banks—by advances to small cultivators.

(5) Indigenous banks, loan offices, etc.—do not do much for the cultivators; they assist the more well-to-do.

(6) Professional money lenders, merchants and zemindars—play the chief part by advancing money when needed.

(7) Trading companies—as far as I know, practically nothing.

(iv) No.

(v) The defects here are high rate of interest, manipulation of accounts by the mahajans, failure of the agriculturist to get receipts for his payments. Elsewhere the main difficulty is the pressure of population, the smallness of the average holding making it difficult for the cultivator to secure credit except at exorbitant rates.

(vi) Practically none at present. Unless the co-operative credit system can oust the mahajans, I see little prospect of such co-ordination.

Question 2.—(i) The principal crops here apart from tea, with which we are not concerned, are potatoes, cardamom, oranges, jute and paddy; other crops such as maize and millet are grown for food, not sale: vegetables of all sorts are grown in considerable quantities and exported to Calcutta. Potatoes are generally collected by the dealers from the growers and fair prices are obtained. Cardamom is mainly in the hands of the merchants, who advance the money for its cultivation and for the immediate needs of the cultivator who will pledge anything for ready money. Oranges and vegetables are sold in the bigger markets to dealers who export them and the same is true of jute and paddy in the plains portion of the district. Speaking generally, in this district the producer has not the sense to hold his crop even where this is not perishable. In other parts of Bengal his ability to do so is limited mainly by lack of storage accommodation and by ignorance. In the jute districts it is often found that cultivators living near the larger centres will hold their crop if the market is against them but not those who are more remote. Education is the main requirement in my opinion and the chief thing that the cultivator has to learn is to lay money for a rainy day. At present I should say that not more than one per mille makes any attempts to do so.

(ii) I think that there is scope for this, but a lot of education will be necessary and also considerable control over the people who run the pools.

(iii) There is a society for sale of dairy produce which, I gather, is working well. It is linked to and financed by the Co-operative Central Bank. As far as I know, it has no difficulty over funds.

(vi) (b) I doubt it. In the jute districts at all events the raiyats know what the prices are, and to a certain extent speculate on the course of the market; they profit or suffer in company with the large concerns.

(viii) Hundis, cheques, postal money orders and insured letter.

(ix) Money orders might be made cheaper.

(x) Hand notes and pro-notes are commonly used.

(xi) Reduction of duty will help.

(xiii) Yes.

(xvii) I have not heard of this being used here.

Question 3.—(i) Dry land, wet land and cardamom land have different rental values Re. 1-8 and Rs. 2 per acre for the first two and Rs. 30 to Rs. 40 for cardamom. Sale price varies from Rs. 600 to Rs. 1,000.

(ii) (a) Government auctions practically do not occur here.

(b) (c) Court sales fetch about one-fourth of private sales, the latter usually producing fair prices. The factors affecting the value are nature of the ground, presence of rock, liability to landslip and distance from market.

Question 4.—(i) Yes, in most cases the permission of the Deputy Commissioner to sell is required.

(ii) The amended Act has not yet been working long enough.

(vii) (a) Records-of-rights should be prepared where this has not been done. There is a provincial programme and I believe that about two-thirds of the province has been done.

(b) No.

(c) Reference to the record-of-rights costs practically nothing. I would reduce legal costs, there is too much litigation already. Standardised forms of mortgage bonds saleable at a cheap rate would be a good move, as registration fees for such documents could then be reduced, and deed-writers practically eliminated.

Question 5.—(i) See the various District Settlement Reports.

(vi) I should think it about stationary.

(vii) The former Act is not much used: it was used to some extent in the Bakarganj colonisation area but afterwards dropped as the co-operative societies served the purpose. The latter Act is only used in times of calamity.

(viii) Not necessary. This depends on the initiative of the local officer. I have always found that Government respond at once.

(ix) Not in Darjeeling.

(x) 30 per cent. is common and we find 60 per cent.; a loan of Rs. 486 swelled to 1,300 at 30 per cent.

(xi) The Act is of little use and should be amended to give greater discretion to the courts.

(xii) Not that I know.

(xiv) There should be no need for loan of seed in normal times. However, the establishment of seed golas at each police-station, whence approved seed could be distributed either on payment or credit by Government officers would provide a good solution: or this might be done by the co-operative societies and I believe that is done in some places.

(xv) Never less than 20 per cent.; goes up to 40 per cent. or more.

(xvii) Not in this district nor to any great extent elsewhere.

(xviii) No; the bargadar cultivates just as well and carefully as the raiyat.

Question 6.—(i) Very little up here. Illicit manufacture of drink is probably the commonest subsidiary industry.

(ii) I think a good deal could be done up here by education but in the plains the average cultivator is too lazy and improvident. He has no incentive apparently to raise his standard of living. There is a ready market for all kinds of home manufacture if only the people would turn them out.

(iii) I could suggest several but the former would turn up his nose at them. In the Bakarganj Sunderbans, in one year of distress, the cultivators preferred to starve than to handle a hoe and do earth-work.

Question 6A.—(i) By share capital.

(ii) Not necessary. Capital will be forthcoming if confidence is commanded.

Question 6B.—(i) The mahajan or "loan office" supplies them.

(ii) For domestic purposes, marriages, trades, sickness, education, etc., 12 per cent. per annum is a common rate of interest for secured loans.

(iii) It will be a great mistake to grant further facilities for borrowing.

(iv) On the increase among service holders and middle class gentlemen, not among the others.

Question 7B.—(i) Practically none, as far as I am aware.

(ii) They exist side by side in most places.

(iii) Faulty management and lack of trained organisers.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—Loan offices at Siliguri, Marwari bankers in Darjeeling, Kurseong and Kalimpong, Imperial Bank at Darjeeling.

Question 2.—In loan offices (a) 40 per cent., (b) 30 per cent., (c) 5 to 10 per cent., (d) 15 to 20 per cent., (e) 5 per cent.

Question 3.—(i) 5 to 12 per cent. per annum.

Question 4.—(a) Possibly 3 per cent., (b) 40 per cent., (c) less than 2 per cent. except in special offices, (d) 30 per cent., (e) 20 per cent., (f) possibly 1 per cent.

Question 5.—(i) Usually 2 or 3 years but actually repaid in 4 to 6 years. Rates vary from 9 to 40 per cent.

(ii) In about 10 per cent. cases.

(iii) Occurs rarely.

(iv) Yes; suits instituted.

Question 6.—(i) Rarely; to persons specially recommended always on mortgage.

(ii) No.

Question 7.—(i) Not as a rule.

(ii) None, it is a question of education and confidence.

Question 8.—(i) Depend on the management.

(ii) Varies from 10 to 40 per cent.

Question 9.—(ii) This would inspire confidence but it would be difficult to introduce and enforce—they are not limited companies in many cases.

22.

Mr. A. G. Allison, Subdivisional Officer, Kalimpong (Darjeeling).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i), (a) and (b) Obtains from (1) co-operative banks and (2) mahajans.

(c) Obtains from mahajans.

(ii) Co-operative banks charge $12\frac{1}{2}$ per cent. and mahajans charge 9 to $37\frac{1}{2}$ per cent.

Period of loan.—For one to five years in co-operative bank; no fixed period, generally one to three years with mahajans.

Security.—Banks lend on the security of landed properties; mahajans lend on mortgage of ornaments, etc.

Percentages.—Secured loan 25 per cent. and unsecured loan 75 per cent.

(iii) The following organisations do the works noted against each in this subdivision.

(a) Co-operative banks help the agriculturists with money ordinarily.

(b) Professional money-lenders and indigenous banks help with money in case of urgent need.

(c) Merchants and dealers supply cloth, food-stuff, etc., on credit.

(iv) Total capital required about 15 lakhs.

(v) *Defects.*—Inability of co-operative banks to advance money timely to the agriculturists immediately they require. Hence they have got to go to the mahajans and get money at a high rate of interest.

Remedy lies in organising the co-operative banks in such a way as to enable the cultivators to get money quickly in time of need.

Question 2. (i) Staple crops such as rice, maize, marwa, potato are brought to the local bazar by the raiyats themselves and sold individually.

As regards cardamom and orange crops the merchants and dealers visit the villages and make their purchases from the tenants.

Mostly they are unable to hold up the crop on account of poverty and ignorance of the conditions of the market.

(ii) There are possibilities in forming pools and co-operative effort in marketing produce.

(iv) There are traders and sub-traders and local bankers who finance one another. A central banking institution is required to help all of them during emergencies when money is not obtained immediately by any of them at times for some reason and another.

(xi) There are two kinds of hundis, one is payable on presentation and the other on a certain date specified on it.

(xv) Hundis emanating from here are generally discounted at Calcutta or Darjeeling.

Question 3. Value of land per acre:—

	Rs.		Rs.
Paddy field	200	to	600
Sukha field	10	to	300
Cardamom	200	to	600
Orange	200	to	1,000

The above prices are for purchases by private negotiations. In other cases the prices fetched are only about $\frac{1}{4}$ to $\frac{1}{2}$ of the above.

Question 4. (i) The impediment is on account of having to take permission from the Khasmahal authorities before mortgage is taken.

(ii) The Bengal Tenancy Act is not in force here.

(iii) and (iv) There is no bank for long-term credit.

(v) Establishment of a land mortgage bank would be useful.

(viii) Funds from central institutions largely will be necessary.

(xi) Agricultural mortgage banks should take long-term loans from central institutions at about 6 to 7 per cent. They should lend out at the rate of Rs. 10 to Rs. 12½ per cent.

(xiii) Mortgages of immoveable properties will be adequate.

Question 5. (i) Such estimate is not known.

(ii) By examining the loan ledger of co-operative banks and the khatas of the money-lending mahajans, merchants and dealers.

(vi) It is increasing.

(ix) No itinerant money-lender or Kabulis exist here.

(xi) The Act is not availed of.

(xiv) Either the demonstration farm should be able to give loans of seeds or a co-operative seed store may be organised to do this work.

(xv) Fifty per cent. in kind of the crop taken as loan.

(xvi) In co-operative bank the interest is 12½ per cent., no compound interest is charged. Mahajans charge 9 to 37½ per cent. They charge compound interest calculating the interest accrued at the end of each year.

Through Civil Court. There are arbitration courts also in co-operative banks. The courts sell their lands and properties.

(xviii) No.

Question 6. Practically nil.

(ii) Weaving of Nepali blankets (Rarhie), Lepcha chadars, etc., could be encouraged by such methods as the Home Industries Association in Calcutta, opening a branch here and placing orders here and arranging sales to consumers in other places.

(iii) Basket-weaving, mat-making, furniture-making, etc., could be introduced.

(iv) Co-operative banks may help in this.

Question 6A. No answer. There are no industry worth the name.

Question 6B. There is no possibility except approaching the mahajans.

(ii) For trade, for expenses during the marriages, death ceremonies, festivals, for purchasing lands, etc., 9 to 30 per cent. on secured debt and 37½ per cent. for unsecured debts are charged by mahajans.

(iii) At present only the mahajans or indigenous bankers are lending them money. The establishment of an urban bank would be helpful.

(iv) Normal.

Question 7. (ii) Want of timely help with regard to funds from central institution.

(iii) About 5 lakhs of rupees.

Question 7A. Yes, it is desirable.

Question 7B. (i) Mahajans used to charge 75 per cent. on unsecured and 37½ per cent. on secured debts before the establishment of the co-operative banks.

(ii) To a certain extent 25 per cent. of the debts belong to co-operative banks and the remaining 75 per cent. to mahajans still.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.*

Question 1. There are merchants, traders and mahajans who do some banking business and give out loans at subdivisional headquarters. Some of the important ones are—

Firms of (1) Lachmandas Ramchandra, (2) Purukhchand Lakhmichand, (3) Koramal Jethmul, (4) Joteram Ramrikhdas, (5) Siram Mulchand and (6) Khetsidas Ramlal.

Question 3. (i) Interest charged is generally 6 per cent. for either long or short terms in most of the indigenous banks. In the case of the banks of Lachmandas Ramchandra and Purukhchand Lakhmichand, who are doing banking somewhat methodically, the rates are as follows:—

On deposits fixed for—

One year—5 per cent.

Nine months—4½ per cent.

Six months—4 per cent.

On current accounts—3 per cent.

(ii) No limit.

Question 5. (i) Loans are granted generally for one year. The purposes are for agriculture, trade and contract work, etc. The interests charged are 9 to 18 per cent. on big loans to respectable persons and up to 37½ per cent. in minor loans.

(ii) Compound interest is charged. At the end of the year the interests is added on to the principal and fresh account is opened.

(iii) No.

*The owners in this part refer to indigenous Banks and Bankers and not Loan Offices and Joint Stock Banks—Secretary, B. E. C.

(iv) Loans are given generally for one year. After a year generally fresh account is opened with the interest added on to the former capital until it becomes necessary to seek the help of the Court.

Question 6. (i) Yes. According to the necessity of the agriculturists.

Question 7. (i) They do mainly other business than banking such as trade in piece-goods, wool, cardamom, grains, etc. They employ about 75 per cent. of the resources in the business.

Question 8. (i) No definite portion. Some of the profits are generally invested in immovable properties.

Question 10. It is not possible at Kalimpong, because the banks are private concerns having other business of different sorts.

Question 12. There has been no case of failure of bank at Kalimpong.

Part II.—Indigenous Banking.

Questions 1 to 3. Answered above.

Question 4. There are two forms of hundis in use, one is to be paid on presentation and the other after a certain period as noted in the hundi.

Question 5. (ii) From the proceeds of business and from loans.

(iii) Answered above.

Question 6. (i) Answered already above.

Question 8. (ii) By the establishment of a central banking institution as already stated above.

Question 9. No.

Question 10. They refuse some demands when the nature of the security is unacceptable.

Question 11. (ii) Yes, some such central banking institution will be useful.

(iii) The indigenous bankers should have to take shares and help in managing the central banking institution.

(iv) By means of fixing a uniform rate, if possible.

Question 12. (i) Yes.

(ii) Yes.

(iii) The establishment of the central banking institution would circulate such unemployed money within this locality.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) About 6 lakhs of rupees.

(ii) About 9 lakhs of rupees.

(iii) Co-operative banks, indigenous banks, and the postal savings banks and life insurance agencies.

(iv) No.

(v) Yes, by better organisation of co-operative banks.

Question 2. (i) No.

(iii) Yes.

(iv) Service holders generally.

(vi) No.

Question 3. (i) The post office only affords facility for purchase and sale of Government securities. The small agriculturists cannot be induced to invest in Government securities until they get more educated.

(ii) There is no such facility.

(iii) Agriculturists generally keep such money with them without investing until they find opportunity for purchasing more lands. Some of them keep the money in co-operative or other banks for a certain period with a view to purchasing lands ultimately. Service holders invest in savings banks, life insurance and immoveable properties.

(iv) Yes on mortgage of lands at high rate of interest amounting to 37½ per cent and over. They invest as described above.

The hillmen, who are the major part of the population, are mostly agriculturists. They have very little capital in their hands. Capital is mostly in the hands of the Marwari traders and the co-operative banks.

Question 4. (i) Very few people have yet formed cheque habit here. Only the Europeans generally use cheques.

(ii) By the abolition of the stamp-duty, hundis have taken the place of rukkas (Letters of advice of credit) amongst the traders. Hundis are more convenient for them than rukkas.

(iii) Europeans and only a few educated Indians use cheques. Payment by cheques is good only for those people who can open accounts with banks. For those who have not got such accounts with banks, it is somewhat difficult to cash cheques unless there is inter-relation between the Government Treasury and the local banks in which the cheques have got to be cashed. An employee getting less than Rs. 200 is not expected to open an account with any bank. Hence payment by cheques may be useful to an employee getting Rs. 200 and over only.

23.

Mr. L. C. Guha, District Officer, Dinajpur.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—Agriculturists of this district generally obtain finance from the following sources:—

- (1) Local mahajans (money-lenders).
- (2) Bankers (Marwaries).
- (3) Local Joint Stock Banks.
- (4) Co-operative Banks.

The rate of interest varies from 12 per cent. to 75 per cent. according to circumstances. Loans are generally taken for three years, but the

Co-operative Banks grant long-term and short-term loans. The Joint Stock Banks issue loans generally on mortgages, but the local money-lenders and the Marwari bankers issue loans on simple bonds at exorbitant rates of interest. No loan under the Agriculturists' Loans Act or the Land Improvements Loans Act is granted except in times of flood, famine or other natural calamities. None except the Co-operative Banks make any distinction between agricultural and other purposes. And as such the present system is defective. If the credit agencies insist on issuing short-term loans for agricultural purposes and long-term loans for other purposes it will naturally reduce the indebtedness of the cultivators.

There is at present very little of co-ordination among the different credit agencies. It is desirable that there should be some co-ordination, at least among those institutions which have the object of helping the agriculturist.

Question 2.—The agricultural products generally pass through a number of middle men before they reach the consumers. The cultivators are not in a position to hold up their crops for better price. Nor have they got good agencies for the disposal of the agricultural products. There is one Co-operative Sale and Supply Society at Bangalbari in the Sadar subdivision for the disposal of paddy. It has been affiliated to the Dinajpur Central Bank, but it is a young institution and has not shown much activity. There is no difficulty in obtaining funds.

The Sale and Supply Societies in co-ordination with the Central Banks may solve the problem of financing during the period of marketing and thus secure better prices for the cultivators. The cultivators may hold up their crops in the godowns of such societies and obtain from the local banks short-term loans against the goods left on the recommendation of the Managers of those societies. The Managers may enter into an undertaking with the depositors to repay the loan from the sale-proceeds of the goods deposited.

The activities of the local banks and bankers in financing import or export trade are very limited. Hundi business is carried on by the local banks and the Marwaris and is confined to urban transactions. No loan on the hypothecation of commodities is granted by the banks and there is no transaction in bills. This is due to the want of banking habits among the indigenous business men. Attempts may be made to popularise hundis and bills. The discount charged on each hundi, bill or cheque is Re 1-8 per cent.

The want of banking facilities is due partly to the lack of credit but mainly to the want of banking habits among the people.

In the urban area outside remittances may be made through banks which issue cheques on Imperial Bank or other Joint Stock Banks of financial reputation. The system is workable only where there are branches of the Imperial Bank. The Central Co-operative Banks throughout the Province may take up this with great advantage through the Provincial Bank.

Reduction of duty coupled with propaganda would increase the use of bills.

Hundis are generally encashed at the provincial centre and are not accepted locally by other credit agencies.

Bills supported by bills of lading also are not recognised locally. Standardised forms on stamped paper may facilitate the use of hundis. Stamped papers for hundis are available at the local Treasury but they are rarely made use of.

Question 3.—The value of low land (for paddy) varies from Rs. 200 to Rs. 600 per acre. That of high land (for jute, potato, cabbage, etc.) varies from Rs. 125 to Rs. 500 per acre.

In Government auction the value of land is Rs. 50 or so per acre as the purchaser often does not know the quality of the soil. When, however, the decree-holder is permitted to bid for the land, the price goes higher. In Civil Court sales also the owners do not generally get the full value of their lands, the reasons probably being the uncertainty about title and difficulty in obtaining possession.

Question 4.—Ordinarily there is no legal impediment but the Santhals are not permitted to sell their lands without the permission of the Collector.

The credit of the agriculturist has not been affected much by the amended Bengal Tenancy Act. The amendment has improved their status but has reduced the price of the land as the salami has to be deposited at the time of the registration of the sale deed and the rate of salami has gone up in many cases. There has in consequence been a great decrease of transfers throughout the district.

There is no institution like land-mortgage banks on the Egyptian model. The Royal Commission on Agriculture recommended the adoption of such banks on a co-operative basis. Attempts may be made to give effect to the recommendation of the Commission. The proposed land-mortgage banks may obtain finance from deposits, and also from advances from the Central Co-operative Banks. They may as well issue debentures. The Government may guarantee interest on debentures and this will popularise the institution and attract depositors.

Question 5.—A Debt and Property Register may be maintained in the office of each Union Board. The Circle Officer and the Inspector of Co-operative Societies may check this register and it may be consulted when any body applies for a loan from the land-mortgage banks.

The loans are generally taken for repayment of old debts, social ceremonies, litigations, payment of land revenue or rent in times of difficulty and agricultural improvements. The local Joint Stock Banks, Mahajans and Co-operative Banks issue loans to cultivators. The Government does not grant loans under ordinary circumstances. Loans under the Agriculturists' Loans Act and the Land Improvements Loans Act are issued in times of flood, famine and other natural calamities. With the growth of co-operative institutions these may be utilised as agencies for the issue of such loans. The officers of the Co-operative Department may be asked to do the work of supervision. This would ensure greater promptitude in the issue of these loans.

A pretty large number of Kabulis is carrying on money-lending business at a very high rate of interest.

Lands are generally passing into the hands of money-lenders, and agricultural indebtedness is increasing.

Question 6.—“Gur”-making, “chat”-making and hand-spinning are resorted to as subsidiary industries by the cultivators. The necessity for organising subsidiary industries for the cultivators cannot be

questioned. Want of business habits no doubt stands in the way. But propaganda work on healthy lines may overcome this difficulty. The subsidiary industries will keep the cultivators busy in off-seasons for at least six months in the year.

The Government may help these industries by financing them through co-operative societies organised for the purpose and also by granting loans free of interest.

Question 6A.—There are in this district some five thousand weavers and the industry is still carried on under primitive conditions. The business suffers for want of funds and also for non-introduction of up-to-date implements. Eight Co-operative Societies have been started in the Sadar subdivision of this district to provide funds for the purchase of materials at a cheaper rate but the institutions are too poor to provide funds for better implements.

Question 6B.—The Government employees have got a Co-operative Credit Society of their own. Small traders get money from the local Joint Stock Banks as well as from the Urban Credit Banks. Middle class gentlemen also find help from the above institutions. They generally borrow for medical purposes and social ceremonies.

Question 7.—The relation between the Imperial Bank and the Central Co-operative Banks is cordial. The Central Banks can obtain cash credit loans from the local branches of the Imperial Bank on the guarantee of the Provincial Co-operative Bank. The Co-operative Banks are in need of finance. The total need for the time being would be some three lakhs of rupees.

No spirit of competition is as yet perceived between Joint Stock Banks and Co-operative Banks. But the Co-operative Banks generally command greater confidence of the public. They deserve pecuniary assistance from the State in the shape of exemption from the income-tax, reduction of money-order commission, etc.

Question 7A.—Issue of loans to individual members and depositors by Central Banks against share deposit would certainly be attractive to depositors.

It would be neither safe nor wise to allow inter-lending between Joint Stock Banks and Co-operative Societies.

The Co-operative Central Banks can profitably and conveniently undertake remittances to different centres and the Provincial Bank may adjust accounts.

Question 7B.—The Co-operative movement is gaining ground gradually and has considerably reduced the rate of interest in the localities where there are credit societies.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—The following are the Loan offices in the Sadar subdivision of this district:—

(a) At the district headquarters:—

(1) The Dinajpur Trading and Banking Company, Limited.

(2) The Anjuman Trading and Banking Company, Limited

- (3) The Dinajpur Loan Office, Limited.
- (4) The Raiyats Trading and Banking Company, Limited.
- (5) The Unique Exchange, Limited.
- (6) The Hitaishi Bank, Limited.
- (7) The Jotedars Industrial Bank, Limited.
- (8) The Lalit Chandra Trade and Loan, Limited.
- (9) The Bank and Rice Mills, Limited (Natore) (Dinajpur Branch).
- (10) The Kanchan Bank, Limited.
- (11) The Hilalia Trading Bank, Limited.
- (12) The Agri. and Piscicultural Association, Limited.
- (13) The Young Friends and Company.
- (b) At the subdivisional headquarters:—

Thakurgaon.

- (1) The Raseya Bank, Limited.
- (2) The Thakurgaon Union Bank, Limited.
- (3) The Thakurgaon Loan Company, Limited.
- (4) The Thakurgaon Trading and Banking Company, Limited.

Balurghat.

- (1) The Balurghat Town Bank, Limited.
- (2) The Santosh Bank, Limited.
- (c) At other places:—
The Raiganj Dhanabhandar, Limited.

Question 2.—The relative proportions of the different items of the working funds of such institutions are:—

	per cent.
(a) Paid-up share capital	... 10
(b) Reserve fund	... 10
(c) Short-term deposits	... 20
(d) Intermediate deposits	... 40
(e) Long-term deposits	... 20

Question 3.—The rates of interest are:—

	per cent.
On current deposits	... 3½
Six months' deposits	... 5
One year's deposits	... 6½
Two years' deposits	... 7½
Three years' deposits	... 8
Five years' deposits	... 8½

Five years is the maximum period for deposit.

Question 4.—The proportions of total funds invested are given below :—

	per cent.
(a) Government and other marketable securities ...	1
(b) Loans against immovable properties ...	60
(c) Advances to industrial concerns ...	9
(d) Loans on personal security ...	20
(e) Jewellery ...	7
(f) Goods ...	3

Question 5.—Loans are generally granted for three years, six years and twelve years and for any purpose whatsoever. The longer the period the lower is the rate of interest.

Almost all the bonds provide for penal interest, but in general no penalty in the shape of compound interest is realised unless it becomes unavoidably necessary to do so. Even when a loan becomes overdue, no action is taken if the borrowers pay interest regularly. One month's interest is deducted from the principal at the time the loan is issued.

Question 6.—The Loan offices or Banks issue loans to agriculturists on mortgage of immovable properties regardless of the purpose of such loans.

The interest of agriculturists cannot be served by these Banks unless the latter are well organised so as to keep themselves in close touch with the former and to have an eye on the use of the loan. They should take prompt steps for the recovery of the loans from the produce of the borrowers' lands. Otherwise the indebtedness of the cultivators will go on increasing. Any substantial changes in the methods of operation of these Banks with a view to serve the interests of the agriculturists will not commend themselves to the share-holders whose interest lies in getting as much dividend as they can. It is to be remembered that many poor middle class families are dependent on their income from dividends received from those companies.

Question 7.—They have got trading business. But a very small percentage of the total resource is so employed. They do a little of discounting bills but cannot take up this business on a large scale for want of a Federal Bank and also for want of co-ordination among themselves.

Question 8.—The Loan offices keep annually some 20 per cent. of their profits in the reserve fund. This sum is seldom invested outside in " gilt-edged " securities.

Question 9.—The method of account-keeping is not uniform and not based on modern double-entry system. The Loan offices are not able to show their financial position unless the whole of their accounts are gone into. There should be a uniform system of accounting and balance sheet.

Question 10.—For creating a common banking system and also for connecting the facilitating business in the province and outside all such Banks should be federated into a Union Bank. Otherwise the resources of the country cannot be fully utilised and developed.

Question 11.—This can be done if they keep well organised branches in the rural areas. But no such improvement seems to be possible in the present stage of development as there is lack of Banking Education, and the Loan offices would be unwilling to launch into enterprises which would prejudicially affect their dividend-earning capacity.

Question 12.—Recently there was a bank crisis and serious runs were made on the Dinajpur Trading and Banking Company, Limited, and also on the Lalit Trading Bank, Limited. The authorities of the Banks, however, managed somehow to meet the situation. Dishonesty of the staff was mainly responsible for the runs.

Part II.—Indigenous Banking.

Question 1.—The Marwari merchants and the local money-lenders carry on money-lending business with their own capital. Their position is never so established as to secure the confidence of depositors. A few Marwari bankers do sometimes get small deposits locally. They have also business in jute, paddy and gur.

Question 2.—This class of bankers is no doubt of great help to the cultivators inasmuch as the latter can obtain money from the former for the purposes of cultivation. But they do not venture to invest money in trade and industries as they do not consider it safe investment. They often become unwelcome on account of the high rates of interest charged by them.

Question 3.—The indigenous bankers have got no organisation of their own. The amount of capital invested and the volume of business carried on by them are, however, no less important than those of Co-operative Banks or the Joint Stock Banks. Their business expenses are much lower than those of these banks as they themselves keep accounts and in case they maintain a staff the latter is employed to look after the trading branch of their business as well.

There is no connecting link between the indigenous banks or bankers and the organised banks such as Joint Stock Banks, Co-operative Banks or the Imperial Bank.

Question 4.—Hundis and other credit instruments are sparingly used by these bankers and are confined to the Marwari merchants only.

Question 5.—The indigenous bankers generally issue small loans on simple bonds and in the case of bigger loans they demand securities in the shape of immovable properties. The rates of interest are generally very high and there is in general a provision for penal interest.

These bankers generally employ their own capital. When they are in need of money they borrow it from the local Joint Stock Banks or from the merchants or financiers in the provincial centre.

Question 6.—The rate of interest charged by these bankers is usually high varying from 24 per cent. to 75 per cent. Any reduction of the rate of interest will not necessarily confer great benefit on the agricultural community unless proper supervision is maintained over the use of money taken and due provision is made for prompt repayment of the loan.

Question 7.—The bankers are not liked by the people on account of their bad dealings with the latter. The Government may with advantage give them certain legal facilities on their guarantee for better dealings. The majority of them are, however, unscrupulous men and there is every likelihood of such facilities being abused.

Question 8.—The indigenous bankers though existing only in a nebulous condition are of great necessity to the cultivators. They are expected to serve a useful purpose if they are put under proper guidance and control. The District Magistrate may have a list of licensed bankers and these may be given the right of realisation of their dues by arbitration. The bankers may also be exempted from the payment of the stamp duty at the time of filing suits if the rates of interest do not exceed a certain per cent., say 15. Any measures for regulating their operations which would render it less difficult to realise their dues, would certainly be welcomed by them and may also have a tendency towards lowering the rates of interest charged.

Question 9.—After making allowance for the legal expenses, management charges, losses through default and losses through foreclosure, the indigenous banks and bankers make a profit of some 20 to 30 per cent.

Question 10.—The indigenous banks and bankers are not always in a position to meet local demands. They have often to refuse loans to persons offering securities of an unacceptable nature. They have also to refuse loans for want of funds.

Question 11.—The indigenous banking system may be linked with the central money market by the establishment of a branch of the Imperial Bank or of the Central Reserve Bank at the headquarters of each district.

Question 12.—There is no surplus fund in this district in the hands of the indigenous bankers, as they utilise it in trade, in the harvesting season. Money does not in consequence flow from here to the Provincial Capital.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—The existing banking resources are few in number and not sufficiently attractive. The Joint Stock Banks are mostly at the headquarters of the district or the subdivisions and are consequently not within easy reach of the cultivators. The Co-operative Societies are of recent growth and are still very few in number. Not many villages have got post offices with Savings Bank Accounts and the rate of interest allowed on deposits in the Postal Savings Bank is very low. The people have in consequence a tendency to invest small savings in gold and silver. Where the savings are large, they are generally invested in land or money-lending business.

Question 2.—The Postal Cash Certificates are not popular as the people are mostly ignorant of their security. The Postal Savings Banks are not within easy reach of the people. The rate of interest offered is very low, and not sufficiently attractive.

Question 3.—The Government and other securities are not popular in this district as the people have on several occasions been cheated by unscrupulous men, and the rates of interest are not sufficiently attractive.

The sale-proceeds of the agricultural products are generally kept by the cultivators with themselves. The big "jotedars" and also the big "raiya," however, deposit their money in the Urban Joint Stock Banks. The solvent farmers have often got a money-lending business and their position is being gradually strengthened.

Question 4.—The cheque system is not in use in this district. Even the big Joint Stock Banks make no payments in cheques. Only the big merchants and persons having accounts in banks at the provincial centre operate through cheques. Many of the local Joint Stock Banks pay these cheques at a discount.

Question 5.—The banking and investment habits in India are certainly of very slow growth. This is due mainly to the want of Banking Education and lack of enterprise. Propaganda by officials and non-officials may be of some help in educating the people to invest their savings in productive undertakings. The opening of branches of the Imperial Bank of India has increased the investment habit of the higher and middle class people. Branches may be opened at the headquarters station of each district.

Mr. M. H. M. Furrokh, Subdivisional Officer, Balurghat.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) Agriculturists get their finances from the following sources:—

(a) For expenses during cultivation—from Co-operative Banks, Mahajans, jotedars, private banks.

(b) For capital and permanent improvements—from the following sources:—

Marwaris, private banks, Jotedars, and Land Improvements Loans from Government.

(c) From the Government in cases of failure of crops due to flood, drought, etc.; and for revenue and rent by mortgaging their properties to professional money-lenders.

(ii) The rate of interest charged varies from 12 per cent. to 75 per cent. when loans are taken by mortgaging the standing crops by the agriculturists. They have to repay the loan from the crop just after harvest, i.e., within 6 months from the date of loan taken. Sometimes it so happens that half the produce is given to liquidate the debt for certain periods, viz., 3 years, 4 years, etc.

The secured loans will be about 40 per cent.

(iii) Government practically do not play any part in dealing with the agriculturists except by advancing agricultural loans and under

special circumstances. Co-operative Banks, Loan offices and professional money-lenders grant loans to those agriculturists who have got their own jote-right in lands.

(iv) No.

(v) Except Co-operative Banks, non-official banks, such as Loan offices, and professional money-lenders give out their money at various rates of interest to various classes of persons, there being no time limit for repayment of loans. The defects should be removed by establishing a uniform rate of interest for all cases, if possible.

(vi) There is no co-ordination among the various agencies and there seems hardly any scope for improvement in that direction unless a Central Federation of such agencies or some such method is introduced by legislation.

Question 2.—(i) The raiyats bring in their commodities to certain selected hâts. Under-raiyats are unable to hold up their crops as they have to meet demands of Zemindars and money-lenders as well as other requirements of life.

(ii) There are possibilities of co-operative effort in marketing produce but that will require very close action of the Government Co-operative Department.

(iii) No.

(iv) No credit facilities actually exist for the financing of products during marketing.

(v) No.

(xx) Yes.

Question 3.—(i) In the district of Dinajpur price of land varies from Rs. 120 to Rs. 800 per acre. The low-lying paddy land having facilities of good irrigation will fetch a price from Rs. 500 to 700 per acre. Medium paddy land can bring Rs. 180 to Rs. 300 per acre. There are three kinds of high lands, especially in this subdivision, viz., "Pali," "Khiair" and "Barind." Amongst them pali is the best. Its price varies from Rs. 400 to Rs. 800 per acre owing to its good fertility and water-retentive power. Without irrigation, high land crops like jute, sugarcane, potato, brinjal and other vegetables can be grown with success in such kind of land and for this reason the price of such land is abnormally high in comparison with other lands.

(ii) Climate, fertility, irrigation facility, distance from the Railway station, navigable rivers and important hâts.

Question 4.—(i) No, except in cases of aboriginals to a certain degree; but in many instances, there were relaxations.

(ii) Almost all the agriculturists are affected on account of stoppage of usufructuary mortgage and the money-lenders hesitate to advance money which they were very eager to do before; but in other respects the Bengal Tenancy Act has given wider relief.

(iv) No special banks for this sort of special purpose.

(v) Not known.

(vi) No such bank can be established for this specific purpose.

Question 5.—(i) No.

(iv) (a) to (i) Debts are incurred for all these causes.

(v) Cannot be ascertained.

(vi) Increasing.

(vii) Very little.

(viii) No.

(ix) There are no such money-lenders in this part of the district.

(x) No such instances can be given.

(xi) The Usurious Loans Act is availed of in very few or no cases. It is suggested that the Act may be recast so as to make it applicable in all cases when the percentage of interest exceeds a certain limit, e.g., 24 per cent.

(xii) No.

(xiii) Not generally.

(xiv) By Co-operative Agricultural Seed Loan Society.

(xv) Half, called "Derhi," i.e., 50 per cent. of the loan per year.

(xvi) The above rate as well as in some cases 6 pice per rupee per month on the price of the paddy then taken and settled between the parties on the basis of the anticipated price of the year. They are realisable just after harvest is finished, sometimes when the harvesting goes on.

(xvii) Yes, gradually they are turned practically into *adhiars* of the money-lenders after some years.

(xviii) Yes, certainly.

Question 6.—(i) There are some rice mills working as Limited Companies. Some villagers are doing gur-making business, hand spinning in jute to a very small extent, recently started by the Industrial Department during the last distress in this subdivision and certain portion took jute spinning as their profession for earning daily bread.

(ii) People are generally averse to taking to such industries in this part of the country.

(iii) Does not arise for the reason set forth in (ii).

Question 6B.—(i) Co-operative Banks, Loan offices and private money-lenders.

(ii) Not less than 25 per cent. for domestic purposes and for implements for daily avocation of life and sometimes for festivities.

(iii) Co-operative Banks, loan offices and private money-lenders help them in their needs. No suggestion can be given.

(iv) Generally on the increase.

Question 7.—(i) Nothing except depositing certain amount in the Co-operative Bank by the Loan offices for the current as well as for the fixed deposits.

(ii) No difficulties exist in the present circumstances.

(iii) To extend the Co-operative movement, additional amount might be necessary according to circumstances.

(iv) No.

(v) Does not arise.

(vi) Yes, by all means stated herein and also by reduction of fees on money remitted through the Post Office as would be deemed proper. It may be half the cost as at present charged.

Question 7A.—(i) Co-operative Banks should issue loans to its depositors up to three-fourths of the deposited money.

(ii) Yes, restrictions contained in section 32 of the Act should be relaxed for the purpose.

(iii) No, only to the Co-operative Banks and Co-operative Societies.

(v) It is desirable that Co-operative Banks should take up "hundi business" in respect of money tendered by the depositors for the places where Co-operative Banks or Imperial Banks are established.

Question 7B.—(i) Where there are Co-operative Societies, interest is charged on the people by private persons or other loan offices at a considerably lower rate.

(ii) Where there are such societies, professional money-lenders had to lower the rate of interest and in some cases close the business to avoid the litigation arising thereby for smaller profits. Increase of societies in rural areas will speak about it.

25.

Mr. A. K. W. Ahmed, M. A., Sadar Subdivisional Officer, Rangpore.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) The usual practice obtaining in this subdivision is that the agriculturist either utilises his own savings or takes loans from money-lenders, loan offices or other similar agencies available either at town centres or in the mufassal.

(b) They are absolutely at the mercy of the landlords for, owing to a deplorable lack of co-operative instinct, the agriculturists cannot combine and effect permanent improvements with their own capital. The landlords, on the other hand, do not find it profitable or to their other interests to effect permanent improvements by executing irrigation projects or otherwise.

(c) Same as (a).

(ii) The rates of interest charged vary from Rs. 37-8 to Rs. 66-4 per cent. per annum. The period for which loans are taken varies from six months to one year, taking into account the time required for the harvesting and sale of the periodical crops. Mortgage of land is the usual security offered and accepted. An instance in point is that most of the loan offices and private banks in this subdivision have come to acquire considerable zemindari and tenure rights. The percentages of secured and unsecured loans will be something like 90 per cent. and 10 per cent., respectively. The unsecured loans consist primarily of loans in kind.

(iii) The chief part is played by joint-stock private banks and loan offices and Mahajans who charge fancy rates of interests. Government's is a reserve fund and is available when and where scarcity and famine stares the country in the face. Co-operative banks—the number of which is not many—exist only for the benefit of the members.

(iv) Yes. Something like ten lakhs of rupees.

(v) (1) The usurious rates of interest charged by the money-lenders and the private banks.

(2) Want of co-operation amongst the peasant folk. One possible remedy is the propagation of co-operative societies all over the subdivision.

(vi) No.

Question 2. (i) As for jute, paddy and tobacco—the principal crops, there are the Marwari and local middlemen who purchase and stock these through local brokers.

Yes. Because he has no resources or savings to fall back upon.

(ii) Starting of co-operative sale and supply societies at principal centres in the mufassal.

(iii) Yes. Only one has just been registered.

(iv) Vide answer to (i).

(v) This question cannot arise under the present circumstances.

(vi) (a) (b) They practically seem to play no direct part.

(vi-a) Vide answer above.

(vi-b) I am fully in agreement with this suggestion. In this subdivision growers of jute and tobacco are mere tools in the hands of Marwari or other local profiteering businessmen. Starting of a sufficient number of co-operative sale and supply societies affiliated to a central society.

(vii) Yes.

(viii) Nil.

(ix) There is no co-ordination and co-operation amongst the existing financial agencies.

(x) No part played.

(xi) In the absence of a bank in India like the Bank of England—no suggestions would be worth making.

(xiii) Yes.

(xiv) No.

(xv) Yes. These are discounted in local centres.

(xvi) No.

(xvii) These things are practically unknown in this locality.

(xviii) Does not arise.

(xix) Great possibilities.

(xx) Of course. Yes. Government lead is always necessary.

Question 3. (i) Rupees 600 to Rs. 1,000 for all kinds of crops—lands per acre.

(ii) (1) Fertility of the soil.

(2) The habits of the people are mainly agricultural.

Question 4. (i) No.

(ii) It is too early to hazard an opinion

(iii) To a considerable extent.

(iv) Yes. Both.

(v) They raise capital from shareholders.

(vi) Such institutions exist, but they are private concerns. Co-operative banks should be substituted for the betterment of the present condition.

(vii) No.

(ix) Yes.

(x) Supervision by Government officers, preferably of gazetted rank, and compulsory deposit of a certain percentage of the reserve fund in Government securities.

(xii) Yes.

Question 5. (i) No.

(ii) Through Union Boards.

(iii) This distinction can be drawn up when preparing the estimate.

(iv) and (v) Same as 5 (iii) above.

(vi) Increasing.

(vii) Not much except in times of scarcity.

(viii) Loans under these two Acts may be offered by District Officers and Subdivisional Officers to the agricultural public through the District Agricultural Officers.

(ix) Yes. Their number is really legion. They come in groups, build huts at places near bazars, and live there during the cold weather season. They give short-term loans to whomsoever may come to them for the purpose at fancy rates of interest, and realise the principal as well as the interest when the crops are marketed by the clients. Sometimes instead of lending money in cash they supply the necessary commodities, e.g., winter clothing, poojah or ceremonial dresses on credit at exorbitant fancy prices.

(x) In all the loan offices in this subdivision the rate of interest varies from $37\frac{1}{2}$ per cent. to 60 per cent. according as the money market fluctuates. It is impossible to cite concrete instances of usurious rates of interest, heavy accumulation of debts, and prolonged duration of a loan in cash or in kind.

(xi) The provisions of the Usurious Loans Act are to some extent defeated by the Indian Contract Act. The Usurious Loans Act should prevail as against the repudiating sections of the Indian Contract Act.

(xii) 100 per cent. as the maximum interest over the principal. For instance, whatever interest might be accrued, a principal of Rs. 25 cannot more than double itself in any period.

(xiii) Yes.

(xiv) The operations of the Land Improvements Loans Act and the Agriculturists' Loans Act must be rendered more prompt through the District Agricultural Officers.

(xv) From 50 per cent. to 100 per cent.

(xvi) Compound interest is charged, and the payment is enforced sometimes by arbitrary seizure of cattle and agricultural implements; sometimes by suit and at some others by foreclosure.

(xvii) Yes. Cases like these are very frequent.

(xviii) This is natural.

Question 6. (i) In the houses of all small farmers there are indigenous husking instruments. Some who grow sugarcane on any considerable scale make gur also. Other small-scale industries are unknown.

(ii) Cottage industries of all kinds may be encouraged—the products, pooled and disposed of through co-operative sale and supply societies.

(iii) Manufacture of Hessians with the local jute and of cigars and cigarettes and other preparations of tobacco—with the local supplies.

(iv) By opening limited joint-stock companies on co-operative basis.

(v) The Imperial Bank of India and the Provincial Co-operative Bank.

Question 6A. (i) No such small industries here.

(ii) No.

Question 6B. (i) Pawning of jewellery and mortgage of lands if any.

(ii) (1) To build houses.

(2) To marry sons and daughters.

(3) For celebration of occasional ceremonies.

(iii) Except the co-operative societies which are not many, and the Government which normally does not come forward with help, the other financial agencies help their clients for the time being but eventually bring about their ruin.

(iv) On the increase.

Question 7. (i) There is only loan business and no deposit banking.

(ii) About five lakhs.

(iv) Yes. Keen competition.

(v) Just by a counter-propaganda against the co-operative movement.

(vi) These things may be resorted to with good results.

Question 7A. (i) Yes.

(ii) Yes.

(iii) No.

(iv) They are inimical to each other.

(v) Such remittances may be undertaken with certain safeguards.

Question 7B. (i) No appreciable effect yet.

(ii) To no appreciable extent yet.

(iii) (1) The extreme ignorance and conservativeness of the rural population.

Part 1A.—Loan Offices and Joint Stock Banks in the mufassal.

Question 5. (ii) Compound interest is charged—when the interest accrued is not paid, it is added to the capital by contract.

(iii) Yes. One month's interest is usually deducted.

(iv) Yes. Interest goes on accruing and being added to the principal till the whole amount threatens to swallow the value of the property, when a suit is instituted to recover the loan along with the interest.

Question 6. (i) Yes. On security of land and jewellery.

(ii) No.

Question 7. (i) No.

(ii) The people engaged in commerce usually do not go to these banks for such purposes.

Question 8. (i) A certain percentage, usually 25 per cent. of the profits, is always held up to build up a reserve fund.

(ii) From 50 per cent. to 80 per cent.

Question 9. (i) As in joint-stock companies.

(ii) Yes.

Question 10. This should be done as early as possible.

Question 11. No. This will serve to ruin the poor agriculturists.

Question 12. None.

Part II.—Indigenous Banking.

Question 1. They only receive deposits and lend money.

Question 2. By lending money on securities.

Question 3. (a) Rupees 5,000 to Rs. 10,000 to start with.

(b) Limited to the local agriculturist, outsiders and the shareholders.

(c) Generally one person who is both the secretary, treasurer and clerk on a monthly pay of Rs. 30 to Rs. 50 per mensem and one office peon on Rs. 10.

(d) Cut-throat competition.

Question 5. (i) They grant loans to shareholders at a concession rate of interest and to outsiders only on security at a high rate of interest.

(ii) Share capital and money deposited with them.

(iii) Current deposits—4½ per cent. fixed deposits (one year's) payable annually—7½ per cent.; all others payable annually—9 to 12 per cent.

Question 6. (i) 37½ to 60 per cent. per annum.

(ii) Co-operative movement.

(iii) Yes.

Question 7. (i) None.

(ii) Yes.

(iii) No facility should be extended without possibilities of ruin to the agriculturists.

(iv) Yes. So far as their own interests are concerned.

Question 8. (i) By legislation the usurious rates may be brought within reasonable limits.

(ii) None.

(iii) Does not arise.

(iv) They will surely be fretting at this for a time, but will calm down gradually.

Question 9. Nothing less than 20 per cent.

Question 10. They will refuse demands for accommodation on account of the unacceptable nature of the security offered.

Question 11. (i) Through the Imperial Bank of India and its branches, or by the establishment of a branch of the Joint-stock Bank or a branch of Central Reserve Bank, or a local bank with local directorate in each district with which the indigenous banking system may be connected.

(iv) Low rate of interest and thus capturing the market.

Question 12. (i) No.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) Savings and Insurance premia.

(ii) No.

(iii) Postal savings bank and co-operative societies and private banks.

(iv) Yes.

(v) Yes. By enhancing the rates of interest on deposits in postal savings banks.

(vi) This habit bids fair to disappear steadily with the spread of education.

Question 2. (i) They are not popular on account of the comparatively low rate of interest allowed.

(ii) Yes.

(iii) Yes. But the interest allowed is discouraging.

(iv) Service-holders generally.

(v) Yes. By enhancing the rate of interest.

(vi) Such competition, if any exists really, is not tangible.

Question 3. (i) Nil.

(iii) They exhaust the sale proceeds of the produce by paying off their debts and by the rent to the landlords, and in purchasing articles both of daily use and also of luxury and jewellery.

(iv) Not usually. They utilise the surplus money in luxuries.

Question 4. (i) No cheque habit except in urban areas.

(ii) This has generated and fostered the cheque habit to some extent.

(iii) Service-holders, merchants and local bodies.

No further artificial measures need be resorted to promote the cheque habit. It is now only a question of time for this habit to grow up.

(iv) Yes. This may usefully be done.

Question 5. (i) Yes.

(ii) Want of general education and conservative habits of the people.

(iii) Yes. General literacy coupled with propaganda by Government and other bodies interested.

(iv) No appreciable result yet on the general agrarian public.

26.

**Rai Sahib Bhabes Chandra Roy, Subdivisional Officer,
Naogaon (Rajshahi).**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(a), (b) and (c). For (a) and (b) the agriculturists generally borrow money (1) from rural societies where there are such societies, (2) from mahajans, money-lenders and indigenous banks and loan offices.

For (c) from the sources mentioned above as well as from Government in the shape of agricultural or seed loans when there is widespread distress on account of drought, flood, etc.

(i) The rate of interest varies inversely to the amount borrowed, urgent necessity of the borrower and other causes. Where there are rural societies, the members may borrow at the rate of Rs. 15-10 per cent. per annum, but generally the cultivators borrow from local money-lenders at exorbitant rates of interest. Usually 2 pice in the rupee per month is charged as interest, but sometimes this rate is doubled. The rural societies generally grant loans for 3 years and short-term loans for cultivation purposes have not been introduced yet. The town banks and loan offices grant loans to mahajans for purchasing jute during the jute season at rates of interest varying from Re. 1 to Rs. 3 per cent. per month. If immoveable property is mortgaged and a large amount is borrowed the local loan offices grant loans at annas 14 per cent. per month. Excepting hand-notes the period for which loan is granted is generally one year. When there is punctual payment of interest or part payment of the debt, the period is allowed to run up to the period of limitation, when a new bond is executed instead, or a suit is instituted in case of non-payment. Except in the case of hand-notes and simple bonds, security is given in the shape of immoveable property and ornaments. Banks and loan offices do not lend money by keeping standing crops as security. Petty mahajans sometimes advance money by seeing the standing crops of borrowers in villages, but they do not keep the crops as security.

It is not possible to make an estimate of the percentage of secured and unsecured loans to the agriculturists in this subdivision without preparing statistics.

(ii) (a) Government only grant loans to agriculturists in case of scarcity and play very little part in agricultural finance.

(b) There is no activity of the Imperial Bank of India in this subdivision.

(c) Joint stock banks, co-operative banks, indigenous banks and bankers, professional money-lenders and dealers finance the agricultural operations of the country, the co-operative banks directly and others indirectly.

(iv) The statistical account of the Bengal District Gazetteer of Rajshahi district, page 10, shows that the total area under each crop in acres of this district is 1,202,100. Taking this as the area under each crop and calculating Rs. 10 per acre as the average cost of cultivation (assuming that the cultivators would till their own lands), the total

cost of cultivation comes to Rs. 1,20,21,000. The total amount of capital required for the above purposes in this district may be roughly taken to be 1 crore and 20 lakhs.

(v) *Defects*.—(1) Timely loans are not granted, (2) rate of interest charged is very high and presses very hard on the cultivators and ultimately impoverishes them; (3) insufficiency of the loans granted to meet the purposes for which they are borrowed; (4) absence of credit facilities in villages.

Remedies.—(1) Network of co-operative rural societies having cash credit with the central banks so that members may get sufficient loans at low rate of interest; (2) strict application of the Usurious Loans Act; (3) establishment of branches of the Imperial Bank of India throughout the country offering credit facilities to the agriculturists at specially low rate of interest.

(vi) No. When the remedies proposed above are carried into effect, a uniform rate of interest to which all the credit agencies should conform should be insisted upon.

Question 2.—(i) Jute and rice are the two principal crops in this subdivision. In the case of jute the producers sell it at the nearest hat or market and sometimes farias collect the jute either at the hat or from the house of the cultivator. The farias in their turn sell the jute to the beparis who sell it to dealers in principal markets such as Atrai and Naogaon where there are big jute merchants and co-operative jute sale societies. In the case of paddy the producers sell it to the farias, the farias to the aratdars and the aratdars to big merchants who export the paddy to Dacca, Mymensingh and other districts by boats.

The raiyat cannot hold up his crop for a better price for (1) his chronic poverty and indebtedness; (2) for pressure brought to bear upon him by landlords and creditors.

(ii) In this matter initial help and guidance must come from Government and the co-operative department, such as building godowns at centres of trade, facilities for transport and concession rate in railways and steamers.

(iii) There are 4 such sale societies in this subdivision:—

- (1) The Naogaon Ganja Cultivators' Co-operative Society which is one of the biggest co-operative societies in India.
- (2) Atrai Jute Sale Society.
- (3) Supply and Sale Society at Naogaon of which the Naogaon Jute Sale Society forms a part.
- (4) Naogaon Milk Union, recently started.

(iv) The raiyats require advances suitable to meet their immediate needs in order to hold up their crops for a better price. This can be effected if sufficient number of co-operative sale societies are established in the interior where the cultivators will get advances on depositing their agricultural products; the balance to be paid after the crops have been sold by the societies in the best market.

No facilities worth the name exist at present.

(v) I have no experience of foreign trade.

(vi) (a) During the jute season the local big merchants and dealers in the subdivision obtain short-term loans from the joint stock banks

and loan offices for their business. They send jute to the ports of the province after purchasing the article from the hats and mokams.

(vi) (b) The local merchants and dealers trading in imported goods obtain their articles from the big importers of Calcutta partly on credit and they generally repay their dues within a fixed period. The chain is continued down to the little shops in villages.

(vi) (a) The rates of interest charged by the joint stock banks and loan offices from the merchants and dealers for the short term loans is generally high and the loans have to be repaid within a stipulated time. They often experience difficulties in obtaining finance which may be removed by establishing branches of the Imperial Bank or of any State-aided bank in the various trade centres of the country, offering facilities to merchants for borrowing at a low rate of interest.

(vi) (b) The suggestion has good reasons behind it.

A concrete example is the price of jute which the cultivators get. Though Bengal hold the monopoly of jute, the Bengal raiyat is the least benefited by its cultivation. The production of jute costs the cultivator Rs. 7 to Rs. 8 per maund, whereas he sells it more often than not at a lower price as the whole market is controlled by the firms and companies indulging in speculative buying and selling. Had the cultivators been organised they could have demanded their own prices. This can be effected only, if there be established a net work of co-operative sale societies throughout the length and breadth of the land, linked with one another under a central society.

(vii) The banks are chary of advancing loans to jute traders and merchants on account of the uncertain and precarious conditions of the market, due to the monopoly and control exercised by the foreign merchants and exporters. There is no monopoly in the case of paddy of which the quality is well known, but in case of jute there is both monopoly and lack of a definite standard of quality, which are to some extent responsible for the difficulties in obtaining finance from the banks.

(viii) *Existing facilities (postal money orders and insurance).*—Hundis in disorganised and primitive condition play a very small part.

(ix) The defects are—(1) delay in actual remittance of the money; (2) unnecessary cost which might have been avoided had there been a cheaper system; (3) unnecessary movement of actual money; (4) risk of loss. The situation may be improved by starting banks at principal centres of trade through which the modern method of remittance by cheques may be introduced.

(xi) There are two different classes of hundis here—(1) one is called "Darshani" in which money is to be paid immediately on seeing it; (2) another called "Muddati" in which there is time-limit, which generally extends to a month and a half.

To give a concrete example of No. 2—Harekristo Saha of Naogaon who carries on jute business on borrowed capital, borrows Rs. 10,000 from the firm of Surjamull Fulchand of Naogaon. This firm deducts anna 1 to annas 6 per cent. as batta at the time of payment of cash. Harekristo Saha issues a hundi for Rs. 10,000 in favour of the firm in Calcutta to whom he sends the consignment of jute. This hundi is called "Muddati Hundi." Surjamull sends this hundi to his firm Ramananda Lachminarayan in Calcutta. This firm gives intimation to the Calcutta firm to which the consignment of jute is sent of the

receipt of the hundi. Harekristo sends the railway receipt to the Calcutta firm which pays the money to Ramananda Lachminarayan. The Calcutta firm to which the jute is sent will pay 90 per cent. of the price on receiving railway receipt. The balance is paid after sale of the entire consignment on which a rate of interest varying from Re. 1 to Rs. 2-8 per cent. per month, is charged by Ramananda Lachminarayan.

No stamp is affixed on manuscript hundis in transactions between Marwaris. Those who have printed hundis affix 1 anna stamp.

Question 3.—(i)—

				Per acre.
				Rs.
Jute land	...	...	...	300
Paddy land	...	...	...	150 to 200
Rabi crops	...	...	...	150
Ganja land	...	...	...	600

(ii) The value of land is determined by the nature, quantity and quality of the crops raised on it, also by the amount of rent paid for the land; lands paying less or no rent being valued at higher prices than those paying higher rents.

In (c) the value of land is highest and in (a) the lowest. Sufficient publicity is not given in Government auction for non-payment of Government revenue. There is great trouble and risk attendant on such sales.

In (b) too there is trouble and risk and chance of a ruinous litigation which diminish the real value.

27.

Mr. O. M. Martin, I.C.S., Collector of Dacca.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) The agriculturist obtains loans for all purposes chiefly from private money-lenders, but a small percentage get loans from co-operative credit societies. For cultivation expenses, or at other times when he wants moderate sum of money quickly and urgently, he takes loan from the money-lender on simple promissory note. For larger sums, whether for capital or permanent improvement or any other purpose, he usually has to mortgage his land.

Only when there is agricultural calamity, such as famine or flood, can he get a loan from Government direct.

(ii) Rate of interest varies (1) according to season, (2) according to amount of loan, (3) according to security given and (4) according to locality. It varies in the wide limits, minimum being 1 per cent. per mensem and maximum about 10 per cent. per mensem. Rate of interest is higher for small loans, for unsecured loans, and for the period just previous to the main harvest. About two-thirds of loans

are unsecured and one-third secured. Co-operative movement helps to lower rate of interest, which is usually exorbitant, even considering the risks incurred by money-lenders.

(iii) Government helps finance (a) by helping co-operative credit movement and (b) by giving agricultural loans when calamities occur.

Imperial Bank of India and Joint Stock Banks.—This is a question best answered by bankers. Undoubtedly these banks play an important part behind the scenes.

Co-operative Banks.—Useful, but operations very limited, and money is not always available when wanted, even to members.

Indigenous Banks and Bankers finance money-lenders, merchants, and traders mostly, not cultivators direct.

Professional money-lenders.—The main resort of the peasant and other local borrowers.

Merchants and dealers and trading companies.—Very little credit is given by them to the cultivator. Selling of crops in advance to dealers is not very common, as regards paddy, but a little of this is done in the case of jute.

(iv) Impossible to estimate total capital required for financing the crop. Movement of money in banks will give only a very small idea.

(v) Main defects are:—

(1) Want of security for lender.

(2) Want of confidence between lender and borrower.

(3) Want of thrift in agriculturist—he is too dilatory in repaying loans, even when he can afford to repay. He also spends money on unproductive purposes in thoughtless manner.

(4) Demand for money becomes acute at certain times of year and rate of interest soars.

Main remedies are:—

(1) Education and propaganda among agriculturists.

(2) Spread of co-operative movement.

(3) A better class of money-lenders wanted.

NOTE.—The private money-lender cannot be entirely supplanted. He fulfils a necessary function in a village. The local money-lender knows his client and knows to whom he can lend money safely. Banks cannot know this.

(vi) There is co-ordination between Government and the co-operative credit societies, but otherwise the lack of co-ordination is remarkable. I do not know how far private banks co-operate.

Question 2.—(i) Grains are sold directly in the market for cash. Jute is sold mostly for cash to middlemen, who come round in boats at the end of the rains. Crops are held up for better price very often, but not for long. Raiyat is forced to sell in the end, after a few weeks' time. But he very often sells reluctantly, maund by maund, when prices are low. He is usually very well informed about prices and is not easy to victimise in this way.

(ii) Pools and co-operative marketing will be useless. The present method of marketing is not, on the whole, injurious to the raiyat. What is injurious is the existing over-production of jute.

(iii) There are a few co-operative sale societies in this district, but they are not doing well, and their prospects are distinctly bad. The difficulty in their case is not so much finance, but in following the movements of the markets, and in securing really competent management.

(iv) It is the middleman (whether individual, or firm or society) who needs financing during marketing. The middlemen are sufficiently financed by big firms and banks.

(v) Yes. Foreign trade requires much more capital to finance, and the capital is in employment for longer periods. The peculiarity of Indian internal trade is that larger capital is required for marketing only at certain times of the year.

(vi) (b) What is mainly wanted in Bengal is some arrangement to limit the acreage under jute so as to secure a better return to the agriculturist. No banking facilities will hold up prices if there is over-production.

Hundis. I don't know enough about hundis to venture any opinion. But I think they are not very extensively used, except in the big commercial centres. There is great difficulty in effecting internal remittances, except by money order or sending notes by post. Extension of the hundi system would be good for trade. I suggest that extension of the hundi system might be effected if there were more co-operation between private banks. Private banks might also be more enterprising in opening branches in the mufassal.

Question 4.—The amended Bengal Tenancy Act has hampered credit to some extent by restricting the right of usufructuary mortgage.

The smallness and fragmentation of agricultural holdings is obviously a handicap in establishing long-term credit institutions, but the more serious handicap is the uncertainty regarding rights and the inevitable litigation or foreclosure of mortgage. I think that litigation costs alone would prevent success of a land mortgage bank for the benefit of the small agriculturist. Co-operative credit societies, properly organised, do not need the security of land mortgage. In fact, such mortgaging is not in keeping with the spirit of the co-operative movement.

Question 5.—No accurate figures are available regarding indebtedness. An estimate could be obtained by intensive local enquiry in typical villages, by a special agency. I think agricultural indebtedness is at least not decreasing. It has probably increased during the last few years, owing to the low price of jute, and poor harvests.

There is no obvious way of relieving the cultivators of their indebtedness. Credit facilities alone will not be sufficient. They must get into the habit of thrift and prompt repayment of loans. Propaganda is necessary, and can best be carried on through co-operative credit societies. But these societies sometimes fail in their purpose and end in increasing the indebtedness of the members.

Effect of indebtedness on agriculture.—Land tends to pass into the hands of the mahajans and other creditors. But owing to the scattered nature of the holdings, these creditors usually find it expedient to resell, so that the land passes back again to cultivators. It is the cultivator, in the end who is willing to give the highest price for good agricultural land. It is therefore the scattered nature of the holdings

which prevents the cultivator from becoming a serf. I would emphasise this point. It is of the greatest importance, and is usually lost sight of.

Question 6.—To improve the economic condition of the agriculturist in Eastern Bengal, the main thing needed is to teach him to breed better cattle, to feed his cattle better, and to grow fodder crops for this purpose. The Agricultural Department are conducting propaganda on these lines, but not very effectively so far, at least in this district. No additional working capital is required. The more well-to-do cultivators at present spend large sums in bringing cattle from up-country, but won't trouble to breed or feed. Their methods of cultivation, on the other hand, are not bad. A cultivator knows his job all right in this respect.

With small cottage industries it is the same. What is wanted is better methods more than better credit facilities.

Question 7.—*Co-operative Credit Societies.*—These are of great benefit, where established on proper lines. Where not established on proper lines, they do more harm than good. An example of this is the movement in Munshiganj subdivision.

The movement has spread rapidly enough, and wants more careful supervision and larger number of bona fide honorary workers, more co-operative propaganda.

The rate of interest is even now too high. I am convinced that with better organisation the rate of interest on loans could be substantially reduced. Before this can be achieved there must be more public confidence in the movement.

28.

Mr. S. Basu, I.C.S., Subdivisional Officer, Munshiganj, district Dacca.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) Agriculturists of this subdivision obtain finance both for expenses during cultivation and for capital and permanent improvements chiefly from village mahajans. There are also 97 co-operative credit societies under two central banks, with a working capital of nearly three lacs. Of this, the older central bank with 77 societies is in a very bad way owing to overfinancing of rural banks in the earlier years and the current business is insignificant. The other central bank started recently with twenty rural societies and a capital of about Rs. 20,000 exercises no appreciable influence on the credit facilities of this subdivision.

In cases of failure of the monsoon and partial or total failure of crops, loans are distributed by Government under the Agriculturists' Loans Act. Loans under the Land Improvements Loans Act are rare,

(ii) Rates of interest vary seasonally and also for secured and unsecured loans. Loans are generally taken by the agriculturists in the months of Agrahayan, Poush and Magh (15th of November to 15th of January) for meeting expenses of cultivation, such as the purchase of seeds, plough and cattle. There is a sharp increase in the rate of

interest from the month of Phalgun. I took some pains to ascertain the rate of interest in different months for unsecured loans. The result is given in the subjoined table:—

	General rate per month per cent.	Rate on very petty loans per month per cent.
Agrahayan	... 2	3
Poush	... 2	3
Magh	... 2	3
Phalgun	... 3	4
Chaitra	... 5	6
Baisakh	... 6	7
Jaistha	... 7 to 8	Anything up to 16 per cent.

The loans, which are generally unsecured, are redeemed after three years. The borrower executes a promissory note. If he is incapable of paying off the debt in three years, a fresh note is executed for the principal plus interest. In this subdivision I have never heard of loans being taken on the security of standing crops.

The prevailing rate of interest of secured loan (generally by mortgage of immovable properties) is 1 to 1.25 per cent. per month.

In my estimate 66 per cent. of the loans is unsecured and 33 per cent. secured.

(iii) Government helps the agriculturists with loans only when there is partial or total failure of crops. In normal times, it is the professional money-lender who rules supreme in agricultural finance. As I have already noted, the co-operative credit banks have hardly any appreciable influence in this subdivision.

There is no other bank or credit facility of any other description in this subdivision.

(iv) In my estimate two-thirds of the loans is applied to cultivation and the balance for the maintenance of the cultivator and his family between two harvests.

(v) The defects in the present system of financing agriculture appear to be as follow:—(1) The rate of interest is excessive for most parts of the year. The peasant is gradually crushed under the load of debt until he sells or mortgages all his properties and becomes a landless labourer. The interest which is payable monthly is added on to the principal every quarter. This increases the debts hopelessly. (2) As it is the interest of the professional money-lender to keep the raiyats perpetually indebted to them, punctuality in repayment is never enforced. This, together with the ease with which money can be borrowed from the professional money-lenders, fosters in the raiyats habits of extravagance and is not conducive of thrift. (3) It is not the business of the money-lender to distinguish between productive and unproductive loans. Under the existing system, there is, therefore, no check on the extravagant expenditure for ceremonial purposes or social requirements, e.g., in marriages, funerals, etc.

These defects are the outcome of two simple facts: (1) The interests of the agriculturist and his financier are mutually antagonistic. (2) The financier has often to lend money on very doubtful security. The chance of his dues proving bad debts is very great,—so much depends on a good crop and a good market for the same, which in their turn are contingent on so many different and fluctuating factors.

The remedy lies in the spread of the co-operative credit movement. There is no other remedy for it. The conflict of interests between borrower and lender must cease, before any improvement can be effected. In the past this all-important movement has proceeded on wrong lines,—over-financing of rural societies, slackness in enforcing punctual repayments, and appropriation by the Panchayat of greater portion of the loan granted to the society by the central bank. The Panchayat, which generally consists of madbars, who are substantial cultivators, often borrow money from the rural society to lend it out again at higher interests. It is they who again make default in repayment. The poor agriculturists, who make punctual repayments, do not get the benefit of a fresh loan, as loans are not generally granted to such societies by the central bank. If co-operative movement can proceed on right lines and if the movement is properly directed from the very beginning under the fostering care of the Co-operative Department, it is in this movement that the agriculturists will find a panacea for all their ills. The agriculturists, moreover, have not been told by anybody how they can better their condition. There is great lack of local enthusiasts in this movement in this subdivision. No propaganda work on any considerable scale has even been undertaken.

(vi) There is no co-ordination among the various credit agencies.

Question 2. (i) There are two ways of marketing the produce:—

- (a) The raiyat takes small lots of 2 or 3 or 4 or 5 maunds of jute to the local hat or they sell it to petty *farias* in small quantities (10 maunds' lot). Petty *farias* deal with *beparis*; or
- (b) He sells direct to the *beparis*. *Beparis* deal direct with firms from whom they take advances. These firms grade and bale it and export to Calcutta direct to mills.

Those which are meant for export to Europe or America are sent by up-country firms to pucca balers. These pucca balers reassort and pack in different grades and export to America and England. The raiyat has got neither space nor finance to hold up the crop for a better price, although he can sell a small portion and hold up the rest for a limited time.

(ii) Once this subdivision is honey-combed with co-operative credit societies, there are immense possibilities of co-operative effort in making produce.

Each co-operative credit society may also act as co-operative sale society, and it may be linked up with central organisations, in the same way as is now the case with credit societies. But that is an ideal difficult to achieve in the near future.

(iii) There is no co-operative sale society in this subdivision.

(vi) (b) Undoubtedly the grower of produce does not get the full value from his produce. For example, the ordinary raiyat does not understand how the price of his jute is fixed. Often the price he gets

for his jute does not even cover the expenses of cultivation. Besides, the operation of the law of supply and demand, the fluctuations of price in the jute market are largely due more to mischievous speculation of the buying firms and companies. Even under the present circumstances, the producer could get better price for his jute, if the grading and weighments were standardised and made easily intelligible to the raiyat. The raiyat is afraid of selling his jute to the firm direct, where he can get a better price, because he says the *koyal* always cheats him in his weight which he does not understand.

(vii) So far as the beparis of this subdivision are concerned, they enjoy all the borrowing facilities that they require from the firms on whose behalf they buy jute. But the Indian firms exporting jute from mufassal to Calcutta are denied facilities given to European firms by the Calcutta banks, because there is no definite standard gradation of quality and the banks in Calcutta do not accept the grading done by the Indian farias.

(viii) The post office is the only agency for internal remittance. Hundis are used to a limited extent in a few commercial centres of this subdivision.

(xii) There are two classes of hundis,—one payable at sight and another payable after a week, after its first presentation. The latter class of hundis is more popular, as it is considered more safe. The use of hundis is confined to a few firms only, who are known to each other. The public does not get any benefit out of it, for one thing, sufficient fluid resources are not always available in the mufassal. Its use is limited by the fact that it cannot be discounted locally and is never accepted by middlemen, merchants or commission agents.

(xiii) I think so. But more than this. There should be facilities for discounting hundis locally.

(xv) Hundis are always sent to Calcutta and discounted there. They are seldom, if ever, held by middlemen, merchants or commission agents.

(xvi) There are no facilities for rediscounting hundis in the locality. This could be done, if branches of well-known banks, having business with the firms, could be established in various commercial centres. The Central Co-operative Bank and the loan offices might also take up this business with advantage.

Question 3. The value of land per acre for different kinds of crops is as follows :—

Jute—Rs. 2,000 to Rs. 2,500 per acre.

Paddy—Rs. 1,000 to Rs. 1,500 per acre.

Sugarcane, betel, ginger, etc.—Rs. 4,000 to Rs. 5,000 per acre.

Question 4. (i) No.

(ii) Usufructuary mortgage, by which the usufruct is enjoyed in lieu of interest only, is not permissible under the new amendment of the Bengal Tenancy Act. Formerly, this class of mortgage was universal in this subdivision. The money-lenders are unwilling to lend out any large sum of money on any other kind of mortgage. This has affected the credit of the raiyat seriously. Now, if the raiyat has to raise money, he has to sell his holding. Formerly too, the land passed

into the hands of his creditor, but sentiments of ownership gave him an additional incentive to redeem the land as quickly as possible.

Question 6 B. Fishermen are mostly solvent. They hardly incur debt. When they do, they go to the mahajan. Small traders get their articles on credit from wholesale dealers with whom they carry on business. Service-holders and middle class gentlemen get loans from loan offices and mahajans. Day-labourers can get small loans from mahajans.

(ii) Service-holders and middle class gentlemen often borrow to meet expenses for ceremonial purposes and for medical expenses in times of serious illness.

The prevailing rate of interest varies from 2 per cent. per month on small loans to 12 annas per month on loans above the sum of Rs. 200, interest payable quarterly. The interest on secured loan is generally 25 per cent. less.

(iv) The indebtedness among all these classes excepting that of fishermen is on the increase.

Question 7 B. (i) Almost nil in this subdivision.

(ii) The co-operative banks have hardly replaced any professional money-lender in this subdivision.

(iii) The following are the causes that operate against the rapid spread of co-operative banks in rural areas:—

(a) Lack of local enthusiasm among the non-official gentlemen for the spread of this movement. No propaganda work has yet been taken up. (b) Overfinancing of co-operative societies in the beginning of the movement and the evil consequences that have followed from it. (c) Religious objection of the Muhammadans, who constitute the bulk of the population, to accept interest and consequent difficulties in forming co-operative credit societies. This objection is gradually disappearing, but from inquiries that I have made in many villages, I find it still largely exists and is a potent obstacle to the spread of this movement. (d) Illiteracy of the people. (e) Difficulties in getting reliable panchayat for managing the rural societies.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. Loan offices or banks—

(b) At Munshiganj (1) the Munshiganj Loan Office, Ltd., and (2) the Vikrampur Banking and Trading Co., Ltd.

Question 2. (a) Paid up capital is insignificant in comparison with working capital. This is everywhere the case.

(b) There is a tendency to build up a reserve fund out of the profits, but this too is insignificant compared with the working capital.

(c) At Munshiganj, no short-term deposits are accepted.

(d) Intermediate deposits are common here. The deposits in the loan offices here are for an indefinite period, but they are withdrawable on three, six or twelve months' notice.

(e) Long-term deposits are rare.

Question 3. (i) (1) Deposit—one year's notice—Rs. 6-12 per cent. per annum.

(2) Deposit—6 months' notice—Rs. 5-4 per cent. per annum.

(3) Deposit—3 months' notice—Rs. 4-14 per cent. per annum.

(4) Deposit—5 days' notice—Rs. 4-8 per cent. per annum.

(5) Floating deposits—Nil.

Interest is payable quarterly.

If no interest is actually withdrawn, it is added to the principal of the deposit.

(ii) The deposits are for an indefinite period, withdrawable on one year's, six months' or three months' or five days' notice.

Question 4. (a) Funds are rarely invested in Government or other marketable securities. Recently they have invested a small portion in the purchase of Postal Cash Certificate.

(b) Loans against immovable property (mortgages) account for almost half of the loan offices business.

(c) Almost nil.

(d) Loans on personal security, on hand-notes, promissory notes, etc., form a most important part of the business of the loan offices.

(e) Loans against jewellery do not prevail in the loan offices.

(f) Nil.

Question 5. (i) Loans are granted for an indefinite period. The loans are taken by middle-class gentlemen and service-holders for the following purposes:—

(1) Education of children in colleges.

(2) Meeting extraordinary expenses in case of serious illness in the family.

(3) Marriage, funeral and other social functions to keep up prestige and appearance in the society, sometimes even for the performance of pujas.

(4) Petty zamindars often incur debts to pay Government revenues.

The rate of interest varies from Rs. 2 per cent. per month to annas 12 per month according to the amount of the loan. Loans above Rs. 1,000 are always charged interest at 12 annas per centum per month. Interest is payable quarterly.

(ii) Compound interest is seldom charged. There is, however, a penal clause in the agreement for charging compound interest in case of default in the regular payment of quarterly interest. This secures punctual payment of interest without which the loan offices cannot pay interest accruing on the deposits.

(iii) No.

(iv) Loans are ostensibly granted for a period of 3 to 6 months in case of simple bonds and one year in case of mortgage bonds. There is always a clause to this effect in the deeds. But the bond is really renewed from time to time to save limitation. So long as interest is punctually paid and the party is solvent, repayment of principal is never insisted upon. Loans are, therefore, for all practical purposes for an indefinite period, subject to the condition of punctual payment of quarterly interest.

Question 6. (i) These institutions do not generally grant loans to agriculturists, but occasionally small loans are granted, when the parties are well-known to the Secretary or to a Director. But mahajans carrying on business exclusively with the agriculturists sometimes take loans from the loan office in times of financial stringency.

(ii) So long as the loan offices are conducted on the present lines, these institutions, in my opinion, are most unsuitable as a credit institution for the agriculturists for the following reasons:—

- (1) Agriculturists' demand for loans is seasonal.
- (2) They generally depend on one harvest for repayment of loans and interest. This harvest being of doubtful character, loan offices are reluctant to invest money on it.
- (3) Collection of interest and principal from the agriculturists entails troubles. A large staff has to be maintained. Recourse to law courts will be frequent and consequent law expenses will be heavy.
- (4) Loan offices depend on deposits. It is vital for their existence that interest on deposits should be paid punctually. If large business is done with the agriculturists, it will be most difficult for them to meet this important obligation, in case of a partial or total failure of crops or a slump in the market of the important produce.

Question 7. (i) No.

(ii) The loan offices are shy of extending their business, due mostly to ignorance of the men running the institutions. As many-sided business will require a larger staff, they are doubtful whether sufficient profits will accrue on any new branches of business to justify such extension.

Question 8. (i) There is no definite proportion.

(ii) Rupees 17-8 per cent.

Question 9. (i) Accounts are kept according to the old Bengali system. A cash book, a personal ledger, a personal ledger for the depositors, a pass book for the depositors, depositor's interest account and dividend account and different subsidiary books for general expenses of the whole business are maintained.

(ii) Yes.

Question 10. It will be very useful, but Government control either in audit or supervision will be unpopular. A federal bank, for co-ordinating the activities of the constituent banks and for bringing it in touch with the general money market, for giving them directions for extending their business and for exploring avenues for profitable investments of the surplus capital in their hands will enhance their utility and they will be able to serve the wider interests of commerce and industry. But any move for federation should come from the loan offices and banks themselves.

Question 11. Yes, as explained above by federating into a central banking institution.

Question 12. There has been no such failure in this district

29.

Mr. S. N. Chatterjee, Subdivisional Officer, Sadar (South), Dacca.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) The members of rural co-operative banks obtain finance for expenses during cultivation by borrowing from their respective banks. Others borrow money from professional money-lenders, indigenous banks and loan offices.

(b) Same as above. Loan is sometimes given by Government under the Land Improvements Loans Act, but the instances are necessarily few.

(c) Rent, etc., is paid usually after the harvest by selling the crops. Money is borrowed from the rural co-operative banks by the members and from private money-lenders by others at the time of distress. Government also assist agriculturists by granting loans under the Agriculturists' Loans Act when occasion arises.

(ii) The rate of interest charged by the rural co-operative banks is 15 per cent. to 18½ per cent. per annum. Professional money-lenders charge interest at rates varying from 1 per cent. to 10 per cent. per month. Land or standing crop or both are mortgaged as security.

Percentage of secured loans may be 25 per cent. and unsecured 75 per cent. Interest for secured loans is generally less than unsecured ones.

(iii) No part is played in agricultural finance by the Imperial Bank of India. The part played by Government, co-operative, joint stock and indigenous banks has been illuminated in my reply to question (i).

(r) The present system is most unsuitable. The agriculturists are being mercilessly exploited by unscrupulous money-lenders who lend money at usurious rates. The remedy probably lies in the extension of the system of co-operative banking.

(vi) There is no co-ordination among the various agencies.

Question 2.—(i) In the case of jute, advance of money is sometimes given to the raiyats by the dealers who thereby secure to themselves the exclusive right of obtaining the produce at the prevailing price. Others bring the produce to the firms direct. Grains, paddy, pulse, etc. are brought by the cultivators directly to the mart and sold to (middlemen) or merchants themselves.

The raiyat is quite unable to hold up his crops for a better price because he is heavily involved in debt which he repays by selling the produce. The dadans advanced by the dealers is another impediment. Besides, he has got to maintain his family.

(ii) There are possibilities of forming pools and co-operative effort generally in marketing the produce. Effective propaganda work is all that is necessary to attract capital by making the scheme popular.

(iii) There is a co-operative sale society at Narayanganj, but none in this subdivision. I understand it is working well. It has established its mark in the market. It is affiliated to the Bengal Wholesale Co-operative Society at Calcutta which is the central organisation.

(iv) At present there exist practically no credit facilities for the financing of products during marketing except for those persons who are members of a rural bank. These people too rarely avail themselves

of the facilities for obtaining a better price. To give the agriculturists sufficient credit facilities for the marketing of their produce, a sufficient number of co-operative sale societies should be established.

(v) As between internal trade and foreign trade, the only difference in regard to such facilities is that the co-operative sale societies dealing with products to be exported, e.g., jute, must necessarily require larger capital, because these will have to deal with influential and well-organised firms.

(vi) (b) The prevailing practice of speculative buying and selling by firms dealing in export trade and the control of prices by these bodies undoubtedly operates to the detriment of the genuine interest of the growers. I am not ready with facts and figures, but it is quite apparent that the constant endeavour of the contracting firms must be to keep down the prices below the contract level, regardless of the condition of the crop and its outturn. In the resulting fight over the prices between the firms and the growers of the produce, the latter, being ill-organized and therefore ill-equipped with means of resistance, are necessarily the worst sufferers. I cannot suggest any panacea for the existing evil. But I believe, the organization of co-operative sale societies and through these bodies, an effective control over cultivation of different crops by assessing their probable demand in advance, if possible, may to some extent ensure a better return to the growers. In other words, production should proceed on a more scientific basis.

(viii) The Jahangirnagar Traders' Co-operative Bank deals with hundis at the rate of 2 annas per cent. which can be cashed at the Bengal Provincial Co-operative Bank.

Question 3.—(i) Value of paddy land is Rs. 800 per acre and that of jute land, Rs. 2,000 per acre.

The value is different in different parts of the subdivision and the factors affecting the produce are the nature of the soil annual outturn, the situation of the land, i.e., proximity to the buyer's house or land or to a mart, etc.

The value given is the value of land in purchase by private negotiation only.

Question 4.—(i) There is no legal impediment to mortgage of land and agricultural holding.

(iv) There are mortgage banks (known as Loan Companies) for the provision of long-term credit. They are registered joint stock companies. The capital is raised from shares offered to the public and also from deposits. These lend out money on mortgage and carry on business on the same lines as the private money-lenders. Small and fragmented holdings are accepted in mortgage.

(vi) Land mortgage co-operative credit societies should be established and money obtained from deposits and loan from the Bengal Provincial Bank. The landlords and the tenants will be equally benefited by the scheme.

Question 5.—(v) The debt is largely due to professional money-lenders.

(vi) The needs are too large to be met by loans from the Government under the Land Improvement Loans Act or Agriculturists' Loans Act.

(ix) There are 2 classes of itinerant money-lenders, Kabulis and Marwaris. Kabulis lend money at an exorbitant rate of interest e.g., 2 annas per rupee per month. Marwaris lend money at the time of cultivation and take the produce or charge interest. The interest is $\frac{1}{2}$ anna or 1 anna per rupee per month.

(x) It was reported to me that one Atash Ali of Khirati village took a loan of Rs. 100 from a local mahajan named Sadhu Charan Pal of the same village on interest of 1 anna per rupee per month to be repaid after 3 years. The money-lender sued the borrower for Rs. 325 including principal. His property was going to be sold. Fortunately he was a member of Khirati Co-operative Society and borrowed Rs. 25 for purposes of cultivation. As soon as the Society found that his property was going to be sold, the Committee thought it their duty to rescue him from the clutches of the mahajan and issued a loan of Rs. 325 and paid to the mahajans. The member stated before the Co-operative officer that he paid interest of Rs. 40 and Rs. 35 on two occasions which were not credited and no receipt was given to him. The money is lost. I understand from the Co-operative officer that this member has liquidated major portion of his loan taken from the Society.

(xi) The Usurious Loans Act is not being availed of to a large extent, as there is no fixed standard rate of interest and the decision of a case depends mostly on the temperament of the judge. A fixed standard rate of interest may prove helpful.

(xii) Vide above.

(xiii) I understand that each co-operative society makes a survey of the members' needs and necessities in order to ascertain normal credit, and then issues loans to meet their requirements, e.g., for the purchase of seeds, ploughing of lands, weedings, cutting of crops, etc. These advances are called short-term loans and are repaid after the harvest. This is a good method of getting loans for genuine purposes and cultivators are capable of repaying after harvesting. So I recommend that intensive propaganda be made to create atmosphere favourable to the establishment of co-operative societies in every village.

(xiv) Each maund of paddy brings 5 to 6 seers in excess for a loan of 6 months. No other interest is paid in this society.

(xv) The local Co-operative officer informed me that before the co-operative movement came into existence 30 per cent. of the cultivators' landed property were sold for mahajans' debts and passed away to mahajans' hand for non-payment of debts with high interest. Sometimes the cultivators became tenants-at-will for repayments of mahajans' debt. But after the co-operative movement came into existence the percentage has come down to about 8 to 10 per cent. as can be had from the available figures of Registration office and Munsiffs' courts.

(xvi) I think the process takes away incentive from the farmers to produce more and in an efficient manner.

Question 6.—(i) Subsidiary industries of this part are as follows:—

- (1) Basket-making.
- (2) Gur-making from sugarcane.
- (3) Garden produce.
- (4) Rearing of cows and producing milk.

These are done at the leisure of the cultivators who desire supplementary income from these industries.

(ii) The cultivators can form co-operative societies for the above industries and can sell their products or finished goods at a higher price through co-operative organisations. For examples:—

- (1) A basket-making society can sell its products at Calcutta through co-operative agency.
- (2) Gur-making from sugarcane, to mahajans of Rangoon through co-operative agency.
- (3) Vegetable products, to places where there is a high demand by co-operative agency.
- (4) Milk, through co-operative milk union. (The Co-operative Milk Society in the town of Dacca is doing very good work.)

(iii) In the above industries they can utilise their spare time during off seasons. Further, they can form a labourers' co-operative society amongst them and can utilise their recess time as coolies in road repair work and for excavating tanks, etc., and also in jute firms where a large number of up-country coolies are imported. Some plan for the development of cottage industries organised on co-operative basis can possibly be devised to give employment to cultivators during recess period, e.g., rope-making, button-making, etc.

(iv) and (v) Formation of co-operative societies will enable them to have sufficient working capital.

Question 6A.—(i) By means of raising shares from the public or from amongst the organisers and by borrowing from money-lenders.

(ii) There are co-operative industrial unions that help such industries. Government should help these co-operative unions with loans free of interest or by charging a small rate of interest for encouragement of such industries.

Question 6B.—(i) They generally borrow from mahajans and loan offices. I understand that there are some co-operative town banks and employees co-operative societies. The number of such societies is about 20 amongst different workers in Dacca city. There are 2 or 3 fishermen's co-operative societies. They raise share capitals and deposits from members and non-members and issue loans to members.

(ii) In the abovementioned co-operative societies the rate of interest is Rs. 9½ to Rs. 12 per cent. per annum. In loan office and private mahajans it varies from Rs. 3-2 to Rs. 12½ per month per cent.

In the co-operative societies there is no difference in the rates for secured or unsecured loans. But the loan offices and private mahajans charge higher rate for unsecured loans than for the secured loans.

(iii) They should start co-operative societies and raise shares and deposits and Government should help these organisations by granting loans for a fixed period free of interest during the incipient stage on the security of the reserve liability of shares held by them.

(iv) The indebtedness of the middle classes and non-agriculturists is daily increasing owing to bad economic condition of the country and resulting unemployment.

Question 7.—The Imperial Bank views with sympathy the growth of the co-operative banks and assists them materially when occasion arises. But the attitude of joint stock and indigenous banks towards the co-operative banks is one of uncompromising hostility inasmuch as the interest of the former concerns is prejudicially affected by the attractive rate of interest unusually offered by the co-operative bodies.

(ii) Co-operative societies having already established their reputation as sound business concerns are getting sufficient deposits and they experience no difficulty in financing rural societies and their members for long and short-term loans. As for example, Dacca Central Bank has got more than a lakh of rupees deposited in the Provincial Bank in current deposit and they do not now accept deposits on higher rates than $6\frac{1}{2}$ per cent. per annum as they have money more than what they require.

(iii) It is not possible to give estimate. But I understand that each Central Bank excepting Dacca Central Bank requires money of one to one and half lakhs per year.

There are two Central Banks in Sadar area.

(iv) and (v) No such case can be reported.

(vi) Co-operative movement may be furthered by the adoption of the methods mentioned in the question and also by affording facilities to the co-operative banks to issue cheques on other co-operative banks on the guarantee given by the Bengal Provincial Bank. The R. T. R. proceeding should also be simplified in the case of co-operative societies.

Question 7A.—(i) Yes, all depositors of co-operative societies should have loans from them on the security of fixed deposits.

(ii) It is not necessary to relax the provision of the Act.

(iii) No harm if with the permission of the Registrar as permissible by co-operative rules framed by Government.

(v) Central Bank has not yet made any remittance of money from one place to another in my area.

At present they credit money in local treasury and take R. T. R. or credit money in local Imperial Bank and take cheque and send them by registered post to Manager, Bengal Provincial Bank, who cashes it there.

Question 7B.—(i) For the organisation of co-operative societies in my area the rate of interest has been lowered by the mahajans to some extent. The money market is easier than before. The cultivators are liquidating their outside liabilities by taking loans from societies. They are working in co-operation and show a tendency of increase. It has been reported to me by the Co-operative Officer that mahajans are charging the same rate of interest in some areas as charged by co-operative societies for secured and unsecured loans without any difference.

(ii) No concrete instance is available excepting above report in paragraph 7B.

(iii) The cultivators are at first very much afraid of a new enterprise or scheme brought before them.

The principal cause operating against the spread of co-operative movement in rural areas is the illiteracy of the cultivators.

- (1) Free primary education is necessary.
- (2) Propaganda work is essentially necessary for spreading co-operative movements.
- (3) The area of operation of each Central Bank should be limited to one police-station so that they may deal with all the villages under it. Thus one Central Bank will be necessary in each thana. By these measures the spread of co-operative societies will be stimulated.

Part IA.—Loan Offices and Joint Stock Banks in the Muffassal.

Question 1.—Loan offices at Dacca:—

- (1) Dacca Loan Office.
- (2) Zamindary Banking.
- (3) East Bengal Central Bank.
- (4) Commercial Bank.
- (5) Dacca Bank.
- (6) Dhankura Khalil Bank.

Question 2.—Seventy-five per cent. deposit money and 25 per cent. share money and reserve fund in each institution. But in Dacca Loan Office major portion of the working capital is shares and reserve fund.

Question 3.—(i) Six per cent. for 6 months' notice of withdrawal in Dacca Bank. In other banks 5 to 7 per cent. for 6 months' and 1 year's notice of withdrawal.

(ii) Two years is the longest period.

Question 4.—(a) Ninety per cent. of the loans are given on mortgage of immovable properties.

(b) Only commercial banks lay out money for industrial concern.

(d) Ten per cent. in some loan offices with personal sureties loans are issued.

(e) In very rare case loans are issued on the security of jewellery. Poddars are doing this business.

(f) Nil.

Question 5.—(i) No difference in rates for the term of period of repayments.

(ii) Compound interests are levied for default and it is realised at the time of collection.

(iii) No. The interest is deducted at the time of issuing loans by poddars and private persons. Those are called muddati hundies for certain period.

(iv) No steps are taken till the time of limitation comes.

Question 6.—(i) They issue loans to cultivators without knowing about any special circumstances, in the same way as they usually lend money to others.

(ii) No. Their purpose is not to encourage agricultural improvement.

Question 7.—(i) Nothing.

(ii) Nil.

Question 8.—(i) There is no fixation of limit of carrying to reserve fund. It is according to the sweet will of boards at a meeting.

(ii) Generally minimum $12\frac{1}{2}$ per cent. to 25 per cent. in last 5 years.

Question 9.—(i) In some banks in English and in loan offices in Bengali. One cash-book and several ledger account books are maintained.

(ii) It is essentially necessary to prescribe uniform system for all.

Question 10.—It is not possible to organise a federation of such institution as they will not favour the idea unless they are compelled by law.

Question 11.—They are not prepared to finance trade and agriculture owing to fluctuation of market for trading and failure in agricultural crops.

Question 12.—The Dacca Bank is in a moribund condition owing to mismanagement.

Part II.—Indigenous Banking.

Question 1.—Poddars and private persons are doing loan business and issuing loans on the personal security and pledging jewellery.

Some are doing hundi business.

Question 2.—No definite informations are available.

Question 7.—(i) Owing to the failure of one indigenous bank the faith of public has been shattered.

(ii) No.

(iii) They should register their business before they take up work and publication of their balance sheet is necessary.

(iv) No. They deal according to their own convenience.

30.

Mr. S. Salamatullah, Subdivisional Officer, Sadar (North), Dacca.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) The agriculturists in this district obtain loans for cultivation purposes by borrowing from small money-lenders at a very high rate of interest to be repaid in the next harvesting season. In several cases loans are repaid in kind either in fixed quantity or at a fixed rate of the produce.

(b) Improvements of permanent nature are very rarely made. They are made by loans generally on simple mortgage at a high rate of interest.

(c) Needs of this kind are ordinarily financed by loans which are very difficult for repayment. The local small money-lenders look more for the land mortgaged than for anything else. In a few years the loans swell to a great extent when the creditors sue the debtors and get the lands in execution of the decree.

(ii) The rates of interest in cases (a) and (c) vary from 50 per cent to 100 per cent. and in cases (b) up to 50 per cent.

(iii) Professional money-lenders and co-operative central or rural banks, where they exist, play an important part in agricultural finance. Government banks do not lend any help under ordinary circumstances in such cases.

(iv) No estimate with any measure of accuracy is possible. There are not many rural co-operative societies in this subdivision. Small loans given by local money-lenders are not advanced by registered bonds where they are repayable in kind.

(v) Existence of unscrupulous money-lenders in large numbers and their greed for the lands of the debtors, their natural tendency to exploit them as much as possible, difficulty in obtaining loans from big and fair minded money-lenders are among the main defects in the present system of finance. Agricultural indebtedness is sometimes responsible for the agriculturists' inability to obtain loans on fair and reasonable terms. Expansion of the existing central and rural co-operative banks, opening up of very large number of these banks, co-operative sale societies, transport facilities, mass education are among the best remedies.

(vi) There is co-ordination among the various credit agencies.

Question 2.—(i) Crops are ordinarily sold in local hats in small quantities by the producers to the middlemen as well as to the consumers. The middlemen carry on export trade in large quantities. Producers, in a great majority of cases, are unable to wait for higher prices on account of poverty, indebtedness and want of storage and transport facilities.

(ii) At present wants and needs stand in the way of forming pools. Want of transport facilities as well as capital are also great factors in the way of co-operative efforts in this direction.

(iii) There is no such society in this subdivision.

(iv) The existing credit facilities for financing products during marketing are virtually nil, so far as the producers are concerned. As regards middlemen, capital is obtained by loans with or without security. Want of transport and export facilities again is a great drawback.

Question 4.—(i) and (ii) The landlord's right of pre-emption is a legal impediment to mortgage of lands. This is more so in the case of small land-holders than in the case of big zamindars. I do not think that the right of pre-emption conferred under the amended Bengal Tenancy Act has affected the credit of agriculturists to any great extent.

(iii) The smallness of holdings is in the way of establishing long-term credit organisations to a very great extent.

(iv) No.

(v) Does not arise.

(vi) Land mortgage banks should advance loans to the land-holders and tenants on moderate rates of interest payable in the harvesting season. The term of such loans should be as long as possible.

(vii) Yes.

(ix) Yes, for principal at least.

Question 5.—(i) No.

(ii) By local enquiry as well as enquiry in the Registry office.

(vii) To a very small extent.

(viii) No suggestion.

(ix) Kabulis advance loans either in cash or by supplying woollen clothes without document and realise the price in cash.

(x) No.

(xiv) Formation of co-operative seed store societies in large numbers and greater facilities for distribution of seeds from Government farms or seed centres are necessary for this.

(xv) I do not know. The rate depends on many things. viz., debtors' need and poverty and nature of security.

(xvi) Yes, I think so.

(xvii) Yes, to some extent.

Question 6.—(i) There is practically no allied or supplementary industry carried on by agriculturists in this subdivision.

(ii) Does not arise here.

(iii) Jute spinning, weaving, dyeing, dairy farming, etc., will be the best enterprises for the agriculturists during the spare time.

(iv) Loans on good security, personal where sufficient, and landed.

(v) Co-operative banks, and land mortgage societies.

Question 6B.—(i) Money-lenders and other money lending concerns.

(ii) For fooding, clothing, marriage and other expenses. These people can get loans on a fairly moderate rate of interest on personal security.

(iii) Co-operative banks and indigenous bankers are helping these people with finance. Formation of officers' co-operative societies and trade unions will be of great help.

(iv) On the increase.

31.

Mr. Narayan Chandra Ghosh, Subdivisional Officer, Netrakona.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i), (a), (b) and (c) The agriculturists living in the vicinity of the town obtain finance generally from the loan offices and

those living in rural areas from private money-lenders, and from co-operative credit societies, where the latter have been established.

(ii) Loans are taken generally for a period of three years when they are taken from private money-lenders and loan offices. The rural co-operative societies lend money to their members at an interest of 12½ per cent. payable within a year and to the people in general at a rate of 15 per cent. per annum payable within three years. The rate of interest charged by the loan offices varies from Re. 1-2 per cent. to Rs. 3½ per cent. per month and that charged by the private money-lenders varies from Rs. 2 to Rs. 9 per cent. per month. The securities ordinarily given and accepted are standing crops, land and ornaments.

The proportion of the secured loans to unsecured ones is approximately 25 to 75.

(iii) As far as this subdivision is concerned the majority of the loans are obtained from professional money-lenders. Merchants, dealers and other organisations, mentioned in answer to question 1 (i) (a), (b) and (c), play very small part in financing agriculturists as they are generally established in towns and suburbs and hence are unapproachable to the people living in the interior.

(iv) No estimate is possible.

(v) The defect in the present system of financing the agriculturists seems to be that there is nothing to put down the exorbitant rate of interest demanded by the professional money-lenders. When the monsoon fails, the cultivators, in this part of the district, are faced with immense difficulties and they borrow money at any rate of interest demanded by the money-lenders and in many cases these debts bring about their ruin. Fixation of the rate of interest by law might be remedy but it has one great danger. The money-lenders in that event enter into a secret understanding not to give any loan at all, in which case the distress of the people will be all the more acute. The establishment of co-operative societies in the interior may solve the problem to a certain extent.

(vi) No co-ordination among the various credit agencies prevails.

Question 2. (i) The principal crops of this subdivision are jute and paddy. As regards marketing of jute, the raiyats getting sufficient quantity of jute in the interior bring their produce to the subdivisional headquarters or to other places of business where agents of jute companies, such as R. Sim & Co., Ralli Bros. & Co., have got their offices of purchase. The raiyats who get a small quantity of jute sell their produce to Pharias who go to the interior for purchasing jute. The Pharias again sell their jute to the aforesaid agents of the different companies. It is also in practice here for the poor and needy cultivators to sell their jute in village bazars in small quantity such as 10 seers or 5 seers to enable them to purchase their daily necessities. Paddy is generally sold at villages. Very few of the raiyats can afford to sell paddy after keeping in store the quantity required for their annual consumption and it is only the very well-to-do persons who can keep their surplus paddy till the market value rises as the majority of the raiyats are very poor and they are quite unable to hold up their crops for a better price because they have to clear up their debts and other liabilities by the sale of crops.

(ii) There is very little possibility of forming pools in rural areas. It requires honest workers with organising capacity and it will hardly

be possible to get such men. Co-operation in marketing necessitates the holding up of crops for better prices which the needy people of this poor subdivision will hardly succeed in doing.

(iii) There is a co-operative sale society in the headquarters station of this subdivision. It is constituted by a number of members, one secretary and one president. It is linked to the local central co-operative bank, and is financed by the Imperial Bank of India. The society has not yet completed one year and no practical difficulty is being felt in obtaining sufficient funds.

(vi) (a) Merchants get their supply of raw materials for export from villages through their own agents and Pharias (purchasers from the cultivators). Import articles are sent to distributing centres and consumers through intermediate dealers.

(b) The suggestion made in this question seems to be true. It sometimes appears that the agents of firms and companies, dealing in the export trade, stop buying of jute whenever there is tendency towards increase in the buying rate and very few of the producers can in that case wait for a better price. This cannot be remedied unless the producers are sufficiently solvent.

(viii) and (ix) Issue of telegraphic transfer orders and supply bills by the Imperial Bank of India upon treasuries and sub-treasuries are the existing facilities available to the public. There is no defect in the present system and there is no suggestion to make.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (b) There are four loan offices in this subdivisional headquarters, viz., Netrakona Loan office, Gouripur Loan office, Palli Mongal Loan Office and Model Bank. As all the loan offices except the Netrakona Loan office avoided replying to our queries, the information regarding only the Netrakona Loan office is furnished below as far as possible.

Question 2. (a) Rs. 11,599.

(b) About Rs. 13,000.

(c) Rs. 17,714.

(d) Rs. 9,100.

(e) Rs. 4,500.

Question 3. (i) Fixed deposits from 8 annas to 12 annas.

P. C. current deposit 3 annas per cent.

(ii) For five years.

Question 4. (a) Cash certificate Rs. 750 face value.

(b) Nil.

(c) Cannot be ascertained.

(d) Rs. 56,820.

(e) About Rs. 300.

(f) Nil.

Question 5. (i) Same rate for loans of all purposes.

(ii) Nil.

(iii) No, a concession is allowed in cases in which the interest is paid in advance.

(iv) Money is lent under ordinary legal limitations.

Question 6. (i) Yes, for all purposes, i.e., family and agricultural purposes.

Question 7. (i) No.

(ii) No.

Question 8. (i) There are no fixed rules. Generally a half of the profits is taken as reserve fund.

(ii) 1330 B.S.—Rs. 20 per cent.

1331 B.S.—Rs. 25 per cent.

1332 B.S.—Rs. 30 per cent.

1333 B.S.—Rs. 35 per cent.

1334 B.S.—Rs. 40 per cent.

Question 9. (i) Double entry system is in force. A uniform system of accounting and balance sheets is desirable.

Question 10. It would be nice if these banks were federated into a central banking institution but the private banks do not seem to agree.

Question 11. If a moderate rate of interest is charged by the loan offices as is done in cases of agricultural loans these banks may be of great help in financing trade and agriculture.

There was a failure of bank in this subdivision owing to mismanagement by the managing authorities and the consequent loss of public wealth.

32.

Rai Sahib A. C. Chatterjee, Sadar Subdivisional Officer, Faridpur.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturists of this district have generally to raise loans from private money-lenders for expense of cultivation, (b) for purchasing plough cattle, agricultural implements, etc., and for permanent improvements of their land and also (c) for special needs, i.e., failure of monsoon, revenue, rent, etc. There are a few central co-operative banks and rural credit societies. (4 Central Banks and 204 rural societies affiliated to the Faridpur Central Bank) in this district but they can finance only a small percentage of the agriculturists.

(ii) The rate of interest varies from 12 to 40 per cent. Loans are taken generally for six months to one year and the security for such loans is generally landed property which is hypothecated with possession for a certain number of years on condition that the loan will be repaid with interest after the end of the stipulated time. These hypothecations are sometimes made by registered usufructuary mortgage bonds

and sometimes verbally. In my opinion about 80 per cent. of the agriculturists have to incur debts.

(iii) When there is acute and extensive distress due to drought, floods and other agricultural calamities loan is granted by Government to agriculturists under the Agriculturists' Loans Act. This loan is given in the Gopalganj subdivision of this district almost every year as agricultural or other natural calamities generally occur every year there. Imperial and Joint-stock Banks do not operate here and, so far as I know, they do not finance the agriculturists anywhere. There are a few co-operative banks and credit societies. The Central Banks help the smaller societies who again help their members only. These banks can help at best 10 per cent. of the agriculturists. There are a few indigenous banks and loan offices here but they do not lend money unless sufficiently secured. In my opinion all these banks and societies help about 20 per cent. of the people and the rest are financed by local mahajans.

(iv) In my opinion about a crore of rupees is necessary for financing all the agriculturists.

(v) The present system of finance is defective in the following ways:—

(a) The rate of interest being high the debtors can seldom repay debts with ease,

(b) Lands being mortgaged with possession the debtor is deprived of the usufruct of the land for a number of years.

(c) The local mahajans, generally being wily men, cheat their simple debtors and do not accept payments by instalments.

In my opinion the proper remedy would be to lend money to agriculturists through Government or semi-Government agencies in the same way as *takavi* loans are given during natural calamities, the rate of interest and method of repayment being the same. The procedure laid down in the Loans Manual should apply *mutatis mutandis*.

(vi) I do not know what sort of co-ordination is there of credit societies with Government, but all the rural societies should be co-operative under Government control; but I am not aware of all the details of the Co-operative Department to enable me to suggest improvement on the present system.

Question 2. (i) The principal crops of this district are brought to the local *hats* and sold to *farias* (middlemen), who again sell them to big dealers, who transport or export them. Sometimes crops are taken by raiyats to the firms of big dealers. The raiyats depend entirely on the mercy of middlemen and do not know the condition of the market in regard to any crop. Most of them cannot hold up crops for a better market, because they require money to pay rents and buy necessities of life with.

(ii) I am of opinion that there are ample possibilities for pools of raiyats and co-operative purchase and sale societies as they are successful wherever started.

(iii) There is one at Madaripur, but I do not know the details of its working.

(iv) Only credit facilities existing for marketing produces are what are given by big dealers to small dealers (raiayats) in the shape of

advances for crops likely to be sold by them, but then the raiyat depends entirely on the mercy of the financier and cannot dictate his terms. Co-operative sale societies are the best solution of the problem.

(v) I do not think there is any great difference. The raiyats do not, by themselves, export their produce to foreign markets.

(vi) (a) Agents of big merchants and petty dealers buy products from *hats* and sometimes from the houses of the raiyats for export and sometimes raiyats bring them to *mokams* of merchants and every intermediary keeps some profit for himself when he transfers his wares to another.

(b) In the case of import trade this process is reversed. Here the shop-keepers or stall-keepers are the agencies for bringing the imported article to the consumers, every one keeping a margin of profit in this process of distribution.

(vi-a) In the case of import trade the intermediaries get articles or credit from large ones soon. There is no difficulty in getting the articles, but the price becomes very high when the articles reach the consumer. In my opinion co-operative sale societies financed by banks will be the best solution. The central societies will have branches in important villages and the latter getting articles on credit from the former.

(vi-b) Answered in (2) (i). There is no dearth of examples. The state of the jute market is an illustration of the point by itself.

(vii) I think the lack of borrowers' credit and absence of our business honesty are largely responsible for want of banking facilities.

Question 3. Value of land per acre for jute and *rabi* crops is about Rs. 1,000, but for other crops is about Rs. 400 to Rs. 600 on an average.

(ii) Value of crops grown on the land determines its value. There is no difference of price of land whether sold in revenue sale or court sale or in private sale, the determining factors being the productivity of the soil and the proximity of the land to the buyer's home.

Question 4. The legal impediment is section 26-G, of the amended Bengal Tenancy Act. There is no other legal impediment now.

(ii) It is too early to form any opinion about the effect of section 26-G, of the Bengal Tenancy Act, but as usufructuary mortgages are generally in vogue here it will not affect the credit of agriculturists much.

(iii) There are indigenous banks and loan offices to give long term credit, but no land mortgage or agricultural banks.

(v) They are joint-stock companies who keep deposits and issue loans.

(vi) I am not aware of the details of operation of such banks to enable me to suggest facilities for their introduction here.

(vii) The present record-of-rights is all right. No change is necessary.

(c) The reply to this answer requires a careful study of the procedure, but in my opinion some simple and more summary procedure is needed like the procedure laid down in the Public Demands Recovery Act.

(viii) Yes, from all the three sources.

Question 5. Such an estimate can be made by getting figures for sub-registration offices for the last three years and then taking an average. To this figure 25 per cent. may be added on account of unsecured and unregistered bonds and loans without bonds. It is unsafe to make such an estimate by guess only.

(iv) Debt is incurred for all the purposes enumerated, but money is rarely borrowed for sinking wells and buying agricultural implements here.

(v) This debt is largely due to local professional money-lenders.

(vi) Indebtedness is increasing as the price of the local agricultural produce is not ruling high for a number of years.

(vii) Not much.

(viii) If joint bond system is abolished and loans are distributed locally the operation will be more easy, but this will be risky and will require some responsible Government servants to distribute loans.

(ix) Very few here. They generally lend money without any security at high rate of interest and after a year or so realise debts by oppression.

(x) Almost every middle class *bhadraloks* of Bengal who depend on the produce of their small landed property only is an illustration of this.

(xi) Not much used here. The civil courts will be able to give better information on the point.

(xii) Same reply as above.

(xiii) Yes, by taking bond for a larger amount, i.e., the principal plus the interest which will be due.

(xiv) By establishing co-operative seed stores.

(xv) Paddy is not lent here. In other places the rate of interest is between 25 to 30 per cent.

(xvi) Not large in this district.

(xvii) Certainly.

Question 6. (i) None of note here, but there are a few hand spinners and mat (*pati*) makers. The industries are getting moribund for want of credit facilities and facilities of sale. They may be improved by means of co-operative societies.

(iii) Spinning by handlooms, jute rope making, weaving gunnies, etc.

(iv) and (v) They may be financed by co-operative stores and credit societies. They should be the easiest and safest way of financing such enterprises.

Question 6A. I do not know.

Question 6B. It is difficult for them to get loans here.

They get loans by mortgaging their homestead land, houses and in cases of small loans by pledging utensils, ornaments, if any, and rarely on personal credit.

(ii) When they cannot make both ends meet by following their ordinary pursuits, or when they build a house, or fall ill. The interest

in the latter case is higher than secured loans. The rate being generally 25 to 36 per cent.

(iii) They do not get any help from any of the agencies mentioned in the question. I think co-operative credit societies for different occupations and professions will be the best remedy.

(iv) Indebtedness among them is generally on the increase on account of general economic distress after the War.

Question 7A. (i) I think that they should grant loans to individual members having sufficient credit.

(ii) Yes.

(iii) Yes, to give facility of work to all of them.

(iv) I do not know exactly but I think they do not co-operate or co-ordinate with one another.

Question 7B. (i) & (ii) As the number of such societies is small in this district their effect on the prevailing rate of interest is not yet appreciable, but they have created an alarm among the local professional money lenders.

(iii) Want of sufficient organisation and propaganda in rural areas which are not possible without sufficient increase of the number of officers of the co-operative department.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (iii) So far as I know the present means or institutions for savings and investments are:—

(1) Post Office Savings Banks.

(2) Postal Cash Certificates, various banks, co-operative societies, loan offices, joint stock industrial agricultural concerns.

(iv) Yes, there are ample facilities for savings and investments.

(v) Yes, the present means can be improved upon by starting more co-operative societies adopting ways and means of teaching thrift to the people.

(vi) It is the habit of every Indian to purchase gold and silver ornaments for the female members of his family. It is a known fact that widows having no issue think themselves fortunate if they have ornaments. Ornaments are prepared for two purposes—(i) to adorn the body and (2) as an investment.

Question 2. (i) Postal Cash Certificates are not very popular in this district. Their popularity may be increased if they are issued and used like currency notes.

(ii) The rate of interest should be at least 8 per cent., for some time to make them attractive and they should be issued like currency notes.

(iii) & (iv) No. Savings Banks are not suitable for women and illiterate persons. Generally middle class *bhadraloks* resort to this form of investment.

(v) They can be made more attractive if money can be withdrawn as often in a week as the depositor wishes and some simple method may be devised to do away with the personal attendance of the depositors and some simpler method of identification of illiterate men and women-folk.

(vi) I do not think so, as Cash Certificates are not so very popular yet.

Question 3. (i) They should be sold in every treasury and sub-treasury.

(iii) The low class agriculturists of this district are not at all thrifty. They generally spend money received by them on luxuries. Some of them, who are thrifty, invest money in culturable lands. The middle class agriculturists of the *bhadralok* class keep surplus money in Postal Savings Banks, loan offices and Co-operative Central Banks. One of the principal luxuries of the agriculturists of this district is to build tin-roofed huts with wooden materials, these houses being called pucca houses here.

(iv) They do, on prevailing rates of interest. They invest surplus money in land. The main source of money of agriculturists is the sale of produce, especially jute and garlic. They seldom sell paddy. When the price of jute ruled high their condition was prosperous and the capital increased and many middle class *bhadraloks* used to borrow money from them and there was land boom, but with the climbing down of the price of jute and garlic this indigenous capital has shrunk.

Question 4. (ii) I do not think that there has been any appreciable change by the abolition of stamp duty.

(iii) Government servants with high salaries and big merchants use cheques as they do not like to handle large amounts of money. I do not think there will be any good by paying salaries of low paid Government servants by cheques as they can save very little even with most careful economy. They are the people who live from hand to mouth and often draw upon their small provident fund money. They will be put to additional trouble in cashing these cheques if paid by cheques.

(iv) If vernacular scripts be used in banking common people will be able to deal with banks more easily. Their ignorance of English and natural bashfulness stand in the way of the growth of investment habit.

Question 5. (i) Yes and the principal cause is that the operations are carried on in a foreign language and the men in authority are generally foreign people. It may also be due to the fact that there are no facilities for investment in rural areas and there is no organisation to teach these thriftless people the advantages of small investment.

(iii) The remedy is intensive propaganda work by great agencies under the co-operative department, improvement of facilities for giving loans by Government or on co-operative basis, improvement of facilities for investment. I have discussed these points in the course of my replies.

(iv) No branch has been opened in this district but where they have been opened they afford no facilities to small investors and agriculturists. Some means should be devised to afford greater facilities for depositing and withdrawing money by ordinary people if the habit of thrift is to be created in them.

Mr. M. Fariduddin, Khasmahal Officer, Faridpur.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) With the exception of a few, probably not more than 20 per cent. of the agricultural population, the agriculturists have to borrow money to meet certain expenses of cultivation. They borrow money sometimes for purchasing plough cattle, agricultural implements, seed and fodder and more often during jute cultivation to pay labourers for weeding the jute fields. They largely borrow from professional money-lenders and sometimes from the Joint-Stock Banks and, when available, from the Co-operative Societies.

(b) For purchasing lands or obtaining settlement of new lands from landlords and for building houses, etc., they have almost always to borrow money.

(c) Under normal conditions they are able to pay rents themselves from the produce of their soil. But, after providing for their necessities and paying their debts every year, they cannot lay by much against a bad year, and when they do not get a good harvest they have to incur debts to meet their ordinary wants.

(ii) The rate of interest charged by professional money-lenders for secured loan is from 15 to 25 per cent. and for unsecured loan it is from 20 to 40 per cent. per annum. The co-operative societies charge 15 per cent. for loans advanced to members of the Societies.

The financial resources of the agriculturists are at their lowest ebb in April when their stock of paddy is exhausted and they require money to pay labourers for weeding jute fields. The Rabi crops are not sufficient to meet their needs. By far the larger percentage of debts of agriculturists is incurred in April and they at this time flock in numbers to the local money-lenders who exact a high rate of interest for the money advanced at this season. The money borrowed in April by the agriculturists is paid up in July, when they begin to sell their jute. In most cases no security is pledged by agriculturists. A bond is simply executed on stamped paper. There is an astonishing amount of honesty among these unlettered agricultural folk in discharging their debts incurred under pressing circumstances at prohibitive rates of interest.

The percentages of secured and unsecured loans advanced to agriculturists would in my estimate form 10 and 90 per cent. respectively.

(iii) The part played by Government is negligible. In times of widespread and acute distress caused by some natural calamity, e.g. flood, cyclone, etc., Government advances loans to agriculturists but in normal times little is given. The agricultural loans are not very popular as the debtors dislike joint liability. The Imperial Bank of India has no branch in this district and is not known to have advanced loans to agriculturists of this district. The share borne by the Joint-Stock Banks and Co-operative Societies would cover, in my estimate, about 10 per cent. of the finance advanced to agriculturists. The rest is borne by the professional money-lenders.

(iv) I think a crore and twenty-five lakhs of rupees or so would be required to meet the agricultural needs of cultivators, of course, this figure is conjectural.

(v) The defects in the present system is the helpless dependence of the agriculturists upon the professional money-lender of their locality, at a time when they cannot afford to wait in expectation of a loan obtainable from a better source, e.g., a Bank at a lower rate of interest which would entail some delay for enquiries to be made by the Bank, while their necessity can brook no such delay.

The defect can be removed if money is made available to the agriculturists at a lower rate of interest at short notices. The spread of Co-operative Credit Societies might be an improvement. But these societies are not very popular with the masses. The unlimited liability of the members is an element they dread very much. Individual honesty and a spirit of mutual confidence and co-operation are essential for the success and growth of Co-operative Societies.

There is no co-ordination except among the Co-operative Societies which are all fed and financed by Central Banks and which follow similar rules and bye-laws under the guidance of the Central Banks and Government audit and inspecting officers. There is scope for much improvement in this direction if Co-operative Societies are composed of honest and sincere agriculturists endowed with a desire of mutual helpfulness.

Question 2. (i) I shall answer it with reference to jute which is the principal crop. The raiyat does not sell his paddy in this district.

The raiyat brings his produce in the local hats or mokams and sells it there or he sells it to beparis or small dealers who visit their houses, and who in turn sell it to larger sale agencies at a profit.

The raiyat cannot hold up his produce because—

- (1) he has got no godown where to store his jute. There is risk of destruction by fire, mice and white ants;
- (2) he has to repay his debts incurred at a high rate of interest;
- (3) he has to meet some of his wants, e.g., paying rents, purchasing food and cloth, repairing his dwelling house, etc.;
- (4) he has acquired a habit to sell his jute at the ready market in August and September instead of waiting for an uncertain price.

After the harvesting of jute the raiyat enjoys holidays from September to November. During this time he pays visits to the houses of friends, relatives, repairs his house and makes purchases as he has a busy round of duties from the end of November to March with the reaping, threshing of paddy, raising of Rabi crops and preparing the soil for jute, etc. So he is inclined to dispose of his jute from July to September.

(ii) There are splendid possibilities of forming pools and Co-operative Societies which make advances to their constituents until their product can be sold away to the best advantage to themselves. But much honesty and efficiency are required of the members responsible for the management of these societies.

(iii) There are no Co-operative Sale Societies.

(iv) The Co-operative Societies can advance loans from time to time to agriculturists upon the security of the products to be sold. At present they do not get loans upon these securities.

(v) The agriculturists have got no facilities for foreign trade. They do not deal directly with foreign market.

(vi) (a) The Joint Stock Private Banks and Bankers lend money to dealers upon the general security of their properties in the same way as they lend money to other individuals. So these Banks do not directly participate in the financing of export trade. The agriculturists sell their produce in village hats or to Beparis who sell it to bigger dealers—often Companies or association in the case of jute—until the articles are shipped in port.

(b) In the case of import trade, those who trade direct with foreign centres sell the imported articles in big marts to smaller dealers and through a series of intermediate traders they reach the shopkeepers in mufassal towns or village hats from whom the villagers get their supply. The Banks or Bankers do not directly participate in financing these trades, but advance money to traders or to other individuals upon the general security of their properties.

(vii) I think both the causes contribute to the lack of banking facilities. There may be other factors as well, e.g., want of business honesty, efficiency, etc. In the case of jute there is not much demand for it within the country, and the purchasers enjoy a monopoly and dictate prices which the producers and sellers have to accept.

(viii), (xx) I have not much information.

Question 3. (i) The value of jute land is Rs. 800 to Rs. 1,000 and of transplanted paddy land is Rs. 600 to Rs. 800.

The value of broad cast sown paddy land is Rs. 500 to Rs. 700 on an average.

(ii) The factors determining the value of land are (a) its fertility, (b) natural source of fertilisation, (c) facilities for drainage and transport, (d) prospects of any change in the quality of the soil and (e) proximity to the land of the vendee, etc.

There is not much difference about the value of land sold on either of these occasions.

Question 4. (i) I think none.

(ii) I think the amended Tenancy Act has improved the credit of the agriculturists in as much as they can transfer the land which they could not transfer previously without landlord's consent and the mortgagee had risk of losing his money if on foreclosure the landlord refused to recognise him as tenant. Under the amended Act the landlord cannot exercise the right of pre-emption without paying the purchase-money.

(iii) Smallness and fragmentation of holdings stand in the way of adoption of improved methods of agriculture with up-to-date scientific implements, and consolidation of holdings is desirable wherever practicable. It is difficult to foresee how this affects the raiyat's capacity for taking long-term loans if all the co-sharers jointly execute the bond.

(iv) No.

(v) Not known.

(vi) Such institutions can be established on co-operative basis.

(vii) (a) No, the existing form of record-of-rights seems simple and clear enough.

(b) No suggestion.

(c) No suggestion.

(vii) to (xiii) Unable to answer.

Question 5. (i) No.

(ii) A very small percentage of the loans are registered. Again, bonds registered are repaid, the creditors returning the bond with endorsements and the Registration Office cannot have any knowledge of these transactions. The Registration Offices cannot therefore give a correct clue. Nor do the returns of income filed before an Income-Tax Officer show separately the money lent to agriculturists and remaining unpaid at the date of the return.

I think the best means of obtaining a fair estimate may be to require officers of the ensuing Census operation to collect the information.

(iii) No estimate is given and therefore this does not arise.

(iv) No estimate is given and therefore this does not arise.

(v) The debts are largely due to private money-lenders.

(vi) I think so, because the rise in the price of agricultural products has not been commensurate with the rise of price of other necessary materials, the price of labour, the increase in population and with the increase of litigation and luxurious habits.

(vii) Not much. Several persons are required to execute a joint bond and the advanced amount is also insufficient and is not promptly given.

(viii) If the joint liability be removed, more money distributed in proportion to their necessity, and enquiries are conducted with all possible speed.

(ix) A very few. They lend money at high rates and usually realise the amount by oppression.

(x) In some parts of the district the professional money-lenders make the borrowers execute a bond for 150 per cent. of the money advanced with interest to run on it at Rs. 3-2 per cent. per month. There is an oral contract that if the money is paid back within three months the money-lenders would accept only 150 per cent. of the sum advanced which is stated to be the capital in the bond; otherwise the debtor is liable to pay whole amount due under the bond.

(xi) Not much use.

(xii) In case of loans attended with mortgage the Courts decree the entire amounts due under the bonds, and in case of unsecured loans the money accruing due under the bond is declared to be payable in a number of instalments with interest to run at 6 per cent. per annum since the date of the decree.

(xiii) Yes, that is done in some cases as stated in reply to (x).

(xiv) Seed stores may be opened in important villages. Loans of paddy may also be given according to the needs of the agriculturists. These institutions should be run on co-operative lines.

(xv) Paddy loan is not in vogue in this district.

(xvi) Not known.

(xvii) Yes. But these instances are not very common unless there is a permanent deterioration of the soil resulting in poor outturn of

crops in successive years or when the raiyat is the victim of ruinous litigation.

(xviii) A combination of misfortunes alone deprives tenant of his land. These cases have not disheartened the tenants to that extent.

Question 6. (i) In some parts of the Madaripur Subdivision gur is made by cultivators from sugarcane juice, and throughout the whole district gur is prepared by boiling the date-juice. The other industries are not known.

(ii) The sugarcane grinding machines and the boiling pans available on hire should be kept in important village hats in the locality where sugarcane is grown, so that they may be within the reach of all who may need them.

(iii) He may take to hand-spinning and weaving khaddar.

(iv) Much capital is not required. A spinning wheel may be obtained and with the accumulated profits from the sale of home-spun thread a handloom may be purchased.

(v) I think there are khaddar institutions which can lend cotton and spinning wheels to agriculturists if the spun thread is sold to them.

Question 6A. There are none in this district.

Question 6B. (i) They obtain loans by mortgaging their homesteads or other landed properties if there be any, or by pawning the ornaments and utensils.

(ii) They borrow (a) when there is prolonged illness incapacitating them from earning money, for purchasing their necessities, (b) for obtaining medical relief, (c) for giving their daughters and sisters or sons in marriage, (d) for Sradh ceremonies, etc.

(iii) Government may grant agricultural loans provided substantial persons execute joint bonds with them. They get loans from Joint Stock Banks and Bankers on proper securities, they get loans from Co-operative Societies if they are admitted as members and can furnish personal securities of some other member or members.

(iv) I think the indebtedness of the middle class gentlemen is on the increase.

Question 7. (i) to (vi) Subjects for the Co-operative Department.

Question 7A. (i) to (v) Subjects for the Co-operative Department.

Question 7B. (i) The establishment of Co-operative Societies offering loans to members at 15 per cent. per month has to some extent brought down the rates charged by professional money-lenders hitherto before. The rate of interest on secured loan is generally 20 per cent. and that on unsecured loan 25 per cent.

(ii) They have not replaced in an appreciable degree the professional money-lenders, but these societies have broken down their monopoly and have obliged them to reduce their rates of interest in many cases.

(iii) The unlimited liability of each individual member for the debts of the rural societies is very much dreaded by the substantial agriculturists.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) The funds of the Joint Stock Banks, the Imperial Bank of India, the co-operative banks and the capital of private money-lenders.

(ii) No.

(iii) The Banks receive deposits and pay interest to depositors. The life assurance companies issue policies upon various terms and insist on the policy-holders to keep their policies in force on payment of fixed premium. The practical examples of the money-lenders who invest money at attractive rates of interest are sufficient incentive to people to save money. The cultivators invest their surplus in land.

(iv) I think so.

(v) No, unless better rates of interest are offered for their money.

(vi) I don't think they make ornaments in gold and silver as an investment of their savings. The ornaments are used by the female folk as decoration. Women are fond of ornaments both for decorating their person as also for the purpose of making provision against evil days. In most families the ornaments are the only shape in which they can retain money in their custody.

Question 2. (i) Yes, with some section of the people, e.g., service-holders, legal practitioners, medical men and landholders residing in towns who cannot take to money-lending.

I think a rate of 6 per cent. per annum would make the cash certificates more popular.

(ii) Answered above in reply to (i)

(iii) Yes.

(iv) Town people who do not lend money or trade themselves.

(v) I do not think other classes will be attracted.

(vi) Some of the joint stock banks pay higher rates for deposits. I do not think they are much affected by the rates of Postal Cash Certificates and Treasury Bills.

34.

Mr. Manohar Gupta, Deputy Collector, Khas Mahal Officer, Bakarganj.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) About half of the agriculturists borrow money for cultivation and they are generally financed by local mahajans and money-lenders and in a few cases by the rural co-operative societies and Government. The rest can defray their expenses themselves with difficulty.

(b) For capital the agriculturists generally borrow money from the local mahajans as well as from the co-operative credit societies and for permanent improvement, they do it mostly by manual labour and in a few cases they take loan from local mahajans and co-operative societies as their number is very small. Only in a few cases yearly

permanent improvements are effected with the aid of contribution from khas mahal agricultural improvement grant.

(c) Most of the agriculturists pay rent from the income of their produce. Very few persons borrow money for the purpose. For failure of monsoon they take loan from the local mahajans and in few cases from co-operative societies and agricultural loan from Government. A scheme for Khas Mahal Co-operative Relief Society has been drawn up to grant loans on nominal interest in case of distress.

(ii) The existing co-operative societies in this district are quite inadequate to meet the financial demand of the cultivators of the district. They invest money at the rate of Rs. 15-10 to Rs. 18-12 per cent. per annum on land and personal sureties. The duration of short-term loans is one year and duration of long-terms is 3 to 4 years.

Local mahajans advance loans in ordinary cases for one season at high rates of interest varying from Rs. 3-2 to Rs. 9-6 per cent. per month. The ordinary money-lenders also advance money on land mortgage at the rate of Re. 1 to Rs. 4 per cent. per month for indefinite period. They also lend money on the security of ornaments for a period not exceeding 3 years on the condition that if they do not repay the loan, their claims to ornaments will be waived.

Loans on standing crops are few and for one season, i.e., 6 months and carry interest at Rs. 3-2 to Rs. 6-4 per cent. per month.

At least 75 per cent. loans of this district are secured in the cases of land mortgage and pledge of ornaments.

(iii) Local mahajans and money-lenders are mostly financing the agriculturists. The local mahajans give ready help to them when they are in urgent need. Government help the tenants at the time of famine and flood. The joint-stock companies and Imperial Banks never help the agriculturists of this district direct. The activities of co-operative societies are confined to their members only who are small in number.

(iv) No.

(v) The present system is defective inasmuch the rates of interest are excessive. Once in the hand of the mahajans the debtor can rarely come out in his life-time and the man is gradually rendered a landless pauper. His property passes into the hands of the mahajans because he lacks not only in education but also in knowledge of his rights and positions. In cases of land mortgage loans both the creditor and the borrower remain silent. The creditors remain silent at the temptation of the land and the debtors for want of any pressure for demand. The result is that when the borrowed amount becomes heavy the creditor falls upon the debtor with the consequence that the mortgaged property passes into the hands of the mahajans.

The only remedy we can suggest is the establishment of sufficient number of co-operative societies of limited and unlimited liabilities according to the condition of the locality, which are all opposed by the local mahajans. Passing of an Act fixing maximum rate of interest or prohibiting transfer of land to mahajans may be useful when the agriculturists are educated enough to understand their rights and there are local agencies such as union boards to watch and safeguard their interests. In addition there must be other sources available on whom the agriculturists can depend for finance if the mahajans refuse to help them at the time of his need. The only possible

source that we can at present think of is establishment of an agricultural bank in every union on co-operative system partially financed by Government and partially by local deposits and loans from central banks. Strict supervision of Government through the Co-operative Department will be of high importance.

(vi) There is no co-ordination amongst the various credit agencies. There is however much scope for improvement in that direction by the formation of a board with representatives from all agencies to watch over the interest of debtors against unnecessary and extravagant expenditure and to lay down and enforce a definite policy in improving the condition of the raiyats and gradually releasing them from the clutches of mahajans.

Question 2. (i) Raiyats generally sell their crops to beparis at the rate usually fixed by them which is based on rates at centres where the beparis dispose them. They do not go direct to any big market. They are quite unable to hold up their crop for a better price for shortness of fund.

(ii) Agriculturists are compelled to sell their crop as soon as harvested for shortness of fund, although the market is dullest at the time. This can only be avoided if every co-operative society has a warehouse attached to it and agrees to store and hold up the crop till the market improves and charges a small commission to meet the expenses and advances small sum on the security of the crop from time to time till the crop is sold.

(iii) None in the khas mahal area of this district. There is, however, one in the colonization area of the Sunderbans.

(iv) There is no facility for financing products during marketing. If facilities can be given, they will fetch better prices, consequently improve the condition of the cultivators.

(v) (a) and (b) The different classes of banks and bankers do not play part in financing (a) and (b). Only the merchants and dealers do every thing in these connections.

(vi-a) The big merchants living in important centres of the district, advance money to small dealers for purchasing different kinds of crops from hats and markets at a rate dictated by the former to the latter. That rate varies according to local circumstances. The small dealers get a certain percentage as commission from the big merchants on the purchased articles. Generally the big merchants manage their business with their own capital.

(vii) It is not a fact that for lack of credit of borrowers, there is a lack of banking facilities to persons engaged in the movement of principal crops. Sufficient banking facilities do not at present exist in this district for taking up the movement of the principal crops on a co-operative system.

(viii) For internal remittance, the existing facilities such as remittance transfer receipt, cheque, demand draft and hundi may be availed of. It is to be regretted that even central co-operative banks charge a commission in cashing cheques, which are accepted by the Provincial Co-operative Bank at this full value.

A practical move in this direction is only possible, through postal savings banks, which have innumerable branches all over the district. Chittagong khas mahal saves Government a good deal of this remittance cost, by cashing postal cheques in khas mahal offices on receipt

of advice from the Sadar Treasury. Similarly rural co-operative banks can save cost of remittance to central banks, by cashing postal cheques, on the advice of the head post office, who will credit the amount in favour of the Central Bank Account. Similarly central banks will cash postal cheques which will be credited in favour of the rural society in the sub-post office, where the society is working. The system has been tried and found to be successful and incorporated by Government in Rule 10 of Tehsil Treasury Rules, approved in Government letter No. 491T.—R., dated 8th October 1928.

35.

Mr. Kasiswar Chakravartti, Subdivisional Officer, Bhola
(Bakarganj district).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.
(The report relates to Bhola subdivision only.)

Question 1. (i) Co-operative societies serve about 2,000 families out of 67,000 in this subdivision. Others have to take recourse to the village mahajans.

(a) For expenses during cultivation they take short-term loans from co-operative societies by executing simple bonds and from mahajans by pawning ornaments, by executing simple bonds and sometimes by executing hand notes. The same course is resorted to for raising funds for carrying on small business.

(b) For purchase of lands, cattle and agricultural implements, and liquidation of debts they take long-term loans from co-operative societies or the mahajans as the case may be, by executing mortgage deeds.

(c) In the same manner as described in paragraph (a).

(ii) Interest on loans from co-operative societies varies from 12½ to 15½ per cent. Interest charged by mahajans varies from 24 to 75 per cent. Co-operative societies generally grant loans for three years (long-term). Loans from mahajans vary from three years to five years. Long-term loans are granted on the mortgage of landed properties, while short-term loans are granted on personal security and simple bonds by co-operative societies, and on mortgage of properties and pawn of ornaments, by mahajans.

Small loans are granted by mahajans on their khata without any security but the interest charged is exorbitant.

(iii) There are about 67,000 families in this subdivision, of which 2,000 only are served by co-operative credit societies. Thus about 3 per cent. of the families only of this subdivision are served by co-operative societies. The agriculturists in this subdivision are not financed either by the Government or the Imperial Bank of India, or by the joint-stock banks, professional money-lenders, merchants and dealers and one indigenous bank finance them.

(iv) The solvency of the tenants of this subdivision is an admitted fact and I think that not more than about 5 lakhs of rupees are required here for expenses during cultivation. Failure of crops is perhaps unknown to the agriculturists of this subdivision and the Government in the general and the khasmahal departments lavishly

spend money for the capital and permanent improvements, viz., construction of roads, excavation of tanks.

(v) There is at present practically no system in the financing of agriculture. A close study of the matter shows that an agriculturist often takes a larger loan than what is actually necessary for meeting his agricultural expenses and the same man often takes a loan both from a co-operative bank on a reasonable rate of interest and from a mahajan on higher rate, and I am afraid, a major portion of this loan is wasted. The mahajan does not look into the welfare of the agriculturist and a co-operative bank fails to save him, because, of his being over head and ears in debt already. The only possible remedies are:—

- (a) to flock the country with rural credit banks,
- (b) to patiently and persistently educate the members in the principles and meaning of co-operation by teachers competent to perform their tasks efficiently under adequate supervision.

(vi) There is perfect co-ordination between the Government and the co-operative societies, but none between these agencies and the village money-lenders for their aims and objects are diametrically opposite to that of the Government and co-operative societies.

Question 2. (i) The principal crops of this subdivision consist of paddy, chilli, betelnut and cocoanut. Paddy is mostly purchased by the Dacca and the Faridpur merchants. They go out with their boats to various hats and purchase the same at local rates. The prices are to a large extent controlled by the purchasers. Betelnuts are purchased by Chinese, Burmese, Bombay and Marwari merchants through brokers (aratdars) who hold up the money sometimes for three months and control the market to a great extent. The raiyat cannot hold up his crop for want of co-operative organisation and of warehouses.

(ii) I think a co-operative sale and supply society is the only solution in the matter. Efforts were made for a sale society for betelnuts but no effect was given to on account of an erroneous idea of some co-operative workers of this district that such a society cannot succeed unless a consumers' society is organised in Burma.

(iii) There is no co-operative sale and supply society in the subdivision of Bhola. The Co-operative Inspector wanted to organise a society for the sale of betelnuts but he failed on account of the difficulty in securing sufficient funds, and want of sympathy (probably for the same reason) from his superior officers.

(iv) The actual raiyat requires no credit during marketing. The middlemen do require credit which is granted by local money-lenders.

(v) No marked difference.

(vi) The export trade from the village to the ports in this subdivision is carried on by rich merchants with their own capital and is not financed by any bank or banker. There is practically no import trade direct from the ports to the distributing centres.

(vi) (a) and (b) The questions do not arise in this subdivision under the above circumstances. But a better return to the growers of produce in India may be ensured by disseminating co-operative education amongst them and establishing sale and supply societies at suitable centres.

(vii) As the persons engaged in the movements of the principal crops of this subdivision are rich foreign merchants with large capital, no banking facility is required by them. The growers on the other hand do not like to subject themselves to the troubles and worries of the transport of these goods from the distributing centres direct to the ports, but the lack of banking facility generally in this country is due to the borrowers lack of credit as well as the buyers attempt to keep their position of monopoly intact.

(viii) There is no system of internal remittance of money except by postal money-order. One Maulvi Musammal Haque has been making an attempt to start an industrial bank with cheque payment system, but I doubt very much whether he has yet secured sufficient credit for the purpose.

(ix) If the Co-operative Central Bank at Bhola takes up remittances for transfer to Calcutta, Barisal and Rangoon with bill discounting, I think that the trade facilities might increase four-fold. This system might draw rich merchants to make deposits commensurable with the credit they would expect from it.

(x) The different firms in this subdivision had a business of Rs. 20,00,000 last year in bill discounting.

(xi) I do not think that any further facilities are necessary in this direction.

(xii) Trader's bill discounting only is current here.

(xiii) Yes.

(xiv) I think that there are sufficient provisions in the Indian Negotiable Instruments Act, 1881, safeguarding the interests of both the bankers and the public handling hundis.

(xv) Hundis emanating from the locality are discounted at the local centres. They are not held by middlemen, merchants and commission agents, but they are ultimately paid in Calcutta.

(xvi) There is no facility for rediscounting hundis here. Hundis are generally drawn at 15 days' sight on Calcutta only the rate of discount being 2 to 3 per cent.

(xvii) No instrument of ownership is used for raising money.

(xviii) No such system is in vogue here. As rich merchants with sufficient capitals purchase their own articles, there is no necessity for the system of payment by bills of lading.

(xix) and (xx) Licensed warehouses at important marts under Government supervision might save the actual cultivators from the oppression of middlemen and counteract the monopoly of the capitalists to a great extent.

36.

Mr. N. K. Sen, District Officer, Noakhali.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) The agriculturists of this district are much better off than their brethren in other parts of the province, except Barisal, and generally only a small percentage of them, viz., the spendthrift, have to take loans to meet expenses during cultivation. Those who

require money borrow it on simple bonds from the village mahajan whose number is legion. Each village can boast of at least two such mahajans, i.e., professional moneylenders. They require very little capital for permanent improvements, as land in this district is very fertile, and the only thing that they have to do is to keep out saline water by raising bunds (mud walls), which costs almost nothing. For land revenue and rent, they are not ordinarily driven to mahajans. In cases of dire necessity, e.g., for conducting criminal cases, etc., they have sometimes to sell and mortgage their lands. Failure of monsoon is almost unknown in this district.

(ii) Ordinarily there is no fixed period for which loans are taken, but there are cases where they take loans on simple bonds, on condition of repaying twice the sum after expiry of some years, ranging from 5 to 10. Rates of interest vary from annas 12 to Re. 1-3 a month for Rs. 100, according to the credit of the parties. The most popular security is land—both orchards and cultivable lands. Standing crop is never accepted as a good security.

In my opinion about 40 per cent. of the loans are unsecured, and the rest are secured.

(iii) The part played by Government in the agricultural finance of this district is not much, as people are generally averse to taking loans under the Agriculturists' Loans Act, and Land Improvements Loans Act. So far as this district is concerned, the Imperial Bank, Joint Stock Banks and Indigenous Bank and Bankers play a very little part in agricultural finance, as the holdings are small on account of the complexities of the Muhammadan law. The people are mostly Muhammadans. They are generally averse to taking shelter under the Co-operative Credit Societies, as most of them do not like the idea of standing and falling together, though, of course, my personal opinion is that the principles of co-operation, that is those of unlimited societies, are gaining ground every day.

Professional moneylenders are having full sway over the cultivators, and it is they who supply seasonal capital for expenses during cultivation.

(iv) Total amount of capital required for this district is over one lakh of rupees.

(v) The chief defect in the present system of financing is that the village mahajans are very rapacious and sometimes the rate of interest charged by them goes up to 48 per cent. per year, e.g., Hatponi system. Of course, the civil courts sometimes check these high rates of interest by exercising their discretion under the Usurious Loans Act. Some are of opinion that the operations of this Act should be made compulsory in all cases, but that measure, if resorted to, would make the capital shy and defeat its very object by increasing hardship of the poor cultivators. Moreover, if high interests are paid by mutual consent, that can hardly be checked by legislation. Hence, in my opinion, instead of legislation, the matter should be left under natural economic pressure. It is satisfactory to note that the several loan offices have succeeded in bringing down the rate of interest within 9 to 18 per cent. I might further add, that Government might encourage these loan companies by according them preferential treatment as regards income-tax. Agricultural Banks may be of use if they are started at the headquarters of each district.

Question 2.—(i) The present method of marketing principal crops is to take them to the nearest market. Sometimes agents of mahajans or aratdars make house-to-house purchases, but that is very rare in this district.

Generally, raiyats do not hold up their crops for a better price; sometimes they have got to yield to the pressure of mahajans, and oftentimes they are tempted to sell off their crops in order to enjoy the luxury of civil and criminal litigation.

(ii) The possibilities of forming pools and of co-operative sale societies are great. But it is a question of some time, as the people of the district are mostly illiterate. Paddy is grown in huge quantities in the *char* areas of this district, and it is worth while to attempt to form a pool there.

(iii) There is a co-operative Jute Sale and Supply Societies at Chowmuhani. So far as I know, it is lavishly financed by the Bengal Provincial Co-operative Bank.

(iv) It would have been really beneficial if the producers could sell their commodities directly to big concerns and not through middle men.

(v) The export trades of this district consist mostly in paddy, jute, cocoanut, betel-nut and supari khuins. Taking jute first, the "farias" or "beparies" purchase jute without any sorting from the houses of the growers, some of whom take advances from them. These farias receive advances from the dealers and these dealers supply jute to big firms like those of Messrs. Landale and Clark & Co., the Chittagong Co. and others. Of course, banks finance these companies, and thus indirectly finance the jute business in its movement from the growers to the balers.

Very little export business in paddy is done in this district.

Cocoanuts are exported, but this is financed mostly by the local merchants and mahajans. So also with regard to the export trade in betelnuts.

Supari khuins are extensively purchased by Mugs in the several hats of this district, and this trade is financed by Mugs only. These are exported in large quantities to Burma where they are used for preparing the coverings of Burma cheroots.

As regards the internal trade, it is financed mostly by the merchants themselves.

Use of hundi is said to be dying down in this district. The Noakhali Nath Bank has been using cheques for some time, and so far as I know, these cheques are gaining in popularity every day.

So far as internal remittance is concerned, postal money-order and remittance by insured post are the chief methods that are followed by the public. In my opinion, the early establishment of a branch of the Imperial Bank in this district will be of great use here.

Question 3.—One kani of land, equal to 1·2/3rd acres, is worth here from Rs. 1,000 to Rs. 2,000, and this value fluctuates not only on account of the conditions (a), (b) and (c), but also on account of the difference in fertility of the soil.

To my thinking, people are becoming more litigious every day, and agricultural indebtedness is increasing. It is believed that litigation is turning efficient cultivators into mere tenants-at-will.

Question 8.—Hand-spinning is done to a considerable extent in Feni subdivision, though it is totally absent in the Sadar subdivision. Garden produce is turned out here and there, but it is not done in a scientific way. Rice-husking is done by very poor people, whose profit amounts to one anna per rupee at the most. But it is not done on an extensive scale.

The reason why subsidiary industries do not thrive is that people who adopt it for their profession are too poor to lay out any capital. Capitalists, on the other hand, are not forthcoming on the field, as they do not think it worth their while to take the trouble.

To my thinking such industries can be developed if men of the educated and thrifty classes can be diverted to them, so that they may inspire confidence of the public and, if necessary, can raise funds by floating joint stock companies. Such enterprises, if sincerely taken up, deserve sympathy from the Government also, and they are actually encouraged by the Government by grant of lands on progressive rent, by remission of salami, and by grant of agricultural and land improvement loans where necessary.

Question 6A.—Small industries requiring funds below Rs. 5 lakhs generally raise funds by partnerships, or by sale of shares if they are joint stock companies. There is no such industry in this district, except Raipura Tannery, which is a co-operative concern.

Question 6B.—Non-agriculturists obtain capital like agriculturists by loans, and the rate of interest varies from 9 to 18 per cent., according to the credit of the borrower and the amount in question. The indebtedness among these classes is generally on the increase on account of the same reasons as those of agriculturists. Co-operative Credit Societies are gaining ground every day, but what the cultivators are afraid of is the joint responsibility, but it is hoped that this fear will be overcome in the near future with the elevation of the "morale" of the people in consequence of the introduction of primary education. At present, there is a good deal of competition between the Co-operative Credit Societies and the mahajans, and it is felt that this healthy competition has been able to bring down the rate of interest in the villages. But, as under the rules, non-members of rural societies cannot get loans from those societies, they are generally left out and have to go to the mahajans or the Loan Companies for accommodation. To make the working of co-operative institutions more flexible, it is desirable that they should be authorised to grant loans to depositors and also to non-members on proper security, and there should be free interlending of funds between co-operative institutions and selected joint stock banks, including Loan Offices. I use the word "selected" here advisedly, lest co-operative funds be converted into engines of oppression on poor cultivators.

Part 1A.—Loan Offices and Joint Stock Banks in the Muffassal.

Question 1.—

- (1) Noakhali Loan Office.
- (2) Swadeshi Store and Loan Office.
- (3) Jaylakshmi Bank.

- (4) Noakhali Bank (Bank of Moulvi Rezzaqul Haider Choudhury).
 (5) Noakhali Nath Bank.
 (6) Lakshipur Loan Office.

Question 3.—Rate of interest on deposits.—

Industrial Union, Chowmuhani.

	Rs.	A.
3 years' deposits	... 9	6 per year for Rs. 100.
2 years	... 8	0
1 year	... 7	8
6 months	... 6	4
3 months	... 5	0
Current	... 4	11

Loans—

3 years	... 10	15 per year.
1 year	... 12	8

Urban Bank, Chowmuhani.

Deposits—

	Rs.	A.
3 years	... 10	15
Current	... 4	4

Loans—

- Rs. 15-10 (long term loans).
 Rs. 12-8 (for 1 year).

Nath Bank.

Rs. 9 per cent. for three years' fixed deposit.

Dividend—

	Rs.	A.
Industrial Union	... 7	0
Urban Bank	... 12	8 (maximum).
Nath Bank	... 18	0

Question 5.—The working of these institutions is as elastic as that of ordinary commercial banks. Loans are granted at the discretion of the managing directors according to the solvency of the parties and the credit of their securities the rate of interest varying from, as said above, 9 to 18 per cent. per year. Compound interest is calculated both in the case of depositors and debtors. Loans are granted to agriculturists on production of the record-of-rights of the lands in question, subject to the scrutiny of the office. These loans really serve the agriculturists to a great extent, but there is room yet

for improvement as regards rate of interest, which, after all, cannot be called usurious. As already stated, I am in favour of opening up a branch of the Imperial Bank here, to serve the purpose of bankers' bank and that of a good and reliable bank to people who are averse to taking the risk of keeping their money in the Co-operative Banks and in the various Loan Companies.

Part III.—Investment Habit and Attraction of Capital.

Generally speaking, there is a good deal of difference in the mentality of the people who invest their money in Post Office Savings Bank or in Government securities, including postal cash certificates, and people who resort to banks for their money. It is palpable that the former set do want to eliminate all sorts of risk and are satisfied with comparatively smaller return, while the latter want to have the highest return on undertaking consequent risk. Hence, there is no substance in the saying that there is any competition between the banker and Government.

Farmers ordinarily advance loans to fellow-agriculturists, but the rate of interest charged is the same as that of other mahajans. But the amount involved is not much and, roughly speaking, it is under Rs. 10,000.

As regards the question that banking and investment habit in India is of slow growth, I would say that, properly speaking, it is not so. On the other hand, my belief is that the people who can afford to invest, do invest as soon as circumstances permit, and the general run of the people do not open bank account; not because they won't, but because they can save hardly anything after meeting necessary expenditure, including one or two pieces of ornaments for their womenfolk.

Payments are made and accepted in cheque whenever possible, but I do not think it will be of any use paying Government servants and bank employees in cheques, as they are useless in retail purchase, and people who are mostly illiterate, will be averse to accepting them. It will also entail a good deal of pressure on the Treasury.

37.

Khan Bahadur Saiyed Muazzamuddin Hosain, Deputy Collector.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturist of the province obtains finance for (a) expenses of cultivation, (b) for capital and permanent improvements and (c) for other special needs generally from local mahajans or money-lenders and to a small extent from private loan offices and co-operative societies and banks. The cultivators I suppose owe 80 per cent. of debts to mahajans, 15 per cent. to loan offices and five per cent. to co-operative banks and societies.

(ii) The rates of interest vary from 18½ per cent. to 75 per cent. but the usual rate is 37½ per cent. For large sums of secured loan the rate ordinarily charged is 24 per cent.

I think 75 per cent. of the loans are secured.

(iii) Government finances the agriculturists for purchase of seed only in years of scarcity and failure of crops. The Imperial Bank of India has no direct connection with the agriculturists. The various loan offices, generally run by pleaders, muktears and merchants, lend money to agriculturists on good security but the percentage of loan given by them will not be more than 15 per cent. The co-operative banks have only touched the fringe of agriculturists' debts and the agriculturists do not owe more than five per cent. of their debts to such banks. The professional money-lenders and merchants, many of whom also have become professional money-lenders, practically finance the agriculturists to the extent of 50 per cent. The remaining 30 per cent. of loans I believe are obtained from the richer agriculturists or land-holders or men of other profession who have taken to money-lending. Most of the Hindu pleaders, muktears, and land-holders have money-lending business and the richer agriculturists also are fast taking to money-lending as a supplementary profession and they are taking the place of professional money-lenders—the Shahas, Banikyas and Telees.

(iv) The agriculturists' debt works out to about Rs. 20 per head in each family, and about Rs. 100 per family. The total agricultural debt of Jessore district was estimated at five crores during the Settlement operations. At this rate, the total agricultural debt of the province will be about 150 crores. Out of this, not even 10 per cent. is responsible for permanent improvements. Nearly 70 per cent. of this loan is required for expenses of cultivation and for subsistence during the months of March to July and 20 per cent. for marriages and other festivities.

(v) The chief defect in the present system of agricultural financing is that there is no arrangement for agriculturists getting money in time of need and in consequence they have to submit to the demand—however exorbitant—of the financier, at times of need. The agriculturists themselves are also to blame to a large extent on account of their improvident habits. They do not know how to lay by. They are illiterate and have to spend several months in the year in great distress (from March to July), and so when they get the money in August or January, they do not know how to spend it properly. None of them keep any accounts and they are taxed by so many creditors during the crop time, (mahajans, landlords, shop-keepers, etc.) that they can scarcely think of laying by anything for future. After meeting the demands which they cannot put off they think they can freely spend the rest in extravagance and luxuries. If they can put off payment of interest on a debt, they think they are fortunate although such putting off may mean compound interest at an exorbitant rate.

The only way I can suggest of helping the poor and illiterate agriculturists is by compelling them to save some money every year by legislation. Unless the Government comes to the rescue of the illiterate and improvident cultivators there is no hope of redemption of their debts.

The co-operative societies should play the part of Court of Wards in respect of its members and should be able to prevent the members from incurring outside loans and should have a programme of clearing off all the debts gradually and should at the same time finance agriculture. The Chairman and the Secretary of the society should be their friends—philosophers and guides of every member and should not only arrange

for financing them throughout the year, but should also gradually clear off all the debts and compulsorily save some money for each member.

There should be arrangement for cattle insurance and insurance against flood and draught and the agriculturists should be compelled to insure their cattle and crops.

The ordinary type of co-operative societies should be replaced by self financed societies gradually and the money thus set free should be utilised in, tapping less advanced areas. Self financed societies should be organised on the express understanding of discontinuance of outside financing after 10 years. Besides part of the profit going to the reserved fund, every member should pay at least Rs. 2 each year to the reserved fund as subscription, in addition to compulsory deposits.

It will be easier to realize crops as subscription than money and the crops can also be sold at a profit, only a few months later. I would thus recommend combined credit and sale societies which is likely to increase the profit of the co-operative society more quickly.

Question 2. (i) The present method of marketing principal crops is not based on any organised system. Each individual agriculturist takes his crops generally to the nearest market and sells at the highest price offered on that date. He scarcely keeps any information as to the rise or fall of prices and is entirely at the mercy of the purchasers. In backward areas crops are purchased from the agriculturists' home by *beparies* and *farins* at an appreciably cheaper rate:

The ordinary agriculturist is unable to hold up his crops for a better price chiefly owing to financial stringency. He has to satisfy all his creditors and landlords and has also to bear the cost of subsistence by selling crops, which is his only income. He has no reserve savings on which he can fall back and wait for a better price, nor is money available from any bank at a reasonable interest. Besides that he is not at all sure that by waiting for a better price, he will actually get it. The price of paddy has become more or less steady but that of jute is always uncertain and to wait for a better price of jute is pure and simple speculation, which not unoften brings ruin to individual agriculturists. The ordinary agriculturists therefore do not show much keenness for waiting for a better price and sell off the crops gradually whenever he is in need of money. There are however bigger agriculturists who do hold up and wait for months and sometimes even years for prices, but their number will not be even 5 per cent.

(ii) It will be a huge task to form pools and to organise co-operative effort in marketing produce. The value of such pool and effort will be inappreciable unless the whole body of agriculturists of the country make a combined and organised attempt and unless there be funds to finance them.

(iii) I have some knowledge of the co-operative sale societies of the province and I must say with regret that very few of them proved successful and even these that are known to be successful to-day may at any moment collapse. The existing sale societies are all isolated and not linked with any central organization. The recent attempt at organising jute sale societies has not yet proved a success. The business in jute is largely based on speculation, and so it is the considered view of many that the poor agriculturists should not take part in speculations which at any moment may bring ruin on them. Besides that, unless the sale societies be linked up with a central organization and the whole

country be studded with such societies all working loyally in accordance with the directions of the central organization, there is little prospect of any appreciable benefit to the agriculturists. Then again there is always difficulty in securing reliable salesmen for sale societies.

(vi) (b) It is true and very true that the grower of produce in India does not get full value for his produce owing to speculation among buyers and this is particularly noticeable in the case of jute. In one year jute purchased in Bengal at Rs. 10 per maund was sold at Rs. 64 at Dundee. The jute speculation is proving ruinous to the raiyats who, in the hope of getting good prices have been spending a lot of money over the growing of jute but sometimes it so happens that he fails to realise even the cost of production. It is time that the Government should come to the rescue of the poor raiyat and save him from the ruinous result of speculation and unholy combination among buyers. The cause of absolute uncertainty and the sudden rise and fall of the prices of jute should be enquired into and steps taken to make the price more steady like those of other crops.

Question 3. (i) The value of jute land in Mymensingh district varies from Rs. 500 to Rs. 1,200 per acre, and that of paddy land from Rs. 100 to Rs. 500.

Good lands fetch the same value in auction sales as in private sales.

Question 4. (i) There is no legal impediment to mortgage of land and agricultural holding in Bengal, and now that the holdings have become transferable according to the new amendment of the Bengal Tenancy Act, the mortgages are now quite safe and secure.

(ii) The amended Bengal Tenancy Act has not yet succeeded in enhancing the credit of the agriculturists—although in course of time it may.

(iii) The smallness and fragmentation of the agricultural holdings does not stand in the way of establishing long-term credit institution, but creditors are unwilling to accept undivided shares of holdings as security for loan and the interest of most of the agriculturists is undivided, although by mutual arrangement with co-sharers they possess specific plots of land.

(iv) There are no purely land mortgage banks as far as I am aware in Bengal but the private loan officers at the headquarters of districts and subdivisions generally keep mortgage of lands as security in granting loans.

(v) In my opinion the co-operative societies should keep mortgage of all the lands of the members and should take the responsibility of not only clearing off all their old debts but also, of financing each individual members for agricultural requirements and subsistence. Members should by law be prevented from incurring any outside loan and they should to all intents and purposes be placed in the position of encumbered wards of an estate under the court of wards, the society playing the part of the court of wards, by taking charge of all properties and liabilities. Notice of all mortgages should be given to landlord through court and in case of decree for arrear rent the mortgagee should be made party in all cases by the landlord.

(vi) (a) It is desirable to keep record-of-rights up-to-date by arranging for its perpetual maintenance.

(b) Certificate officers under the Public Demands Recovery Act should have special powers of foreclosure and sale on application by land mortgage co-operative societies.

(c) Cost of process of law as well as of registration and certificate should be reduced to 25 per cent. of the ordinary cost.

(viii) The working capital of the proposed mortgage banks should be initially derived from the funds of central institutions or Imperial Banks but gradually replaced by deposits and reserved fund money of the banks.

(ix) If it be necessary to secure money by debenture bonds, both the capital and interest should be guaranteed by Government, otherwise money will not be forthcoming easily. Mortgage of land will be sufficient security for Government. Only those agriculturists whose debts are not beyond redemption should be accepted as members of co-operative land banks and the banks should have powers of taking usufructuary mortgage of the lands of its members.

(x) The interest charged for loans granted on mortgage of holdings should be $9\frac{3}{4}$ per cent. but Government should not guarantee more than six per cent. interest.

Question 5. (i) We estimated the agricultural indebtedness of the Jessore district in the course of settlement operations in 1922 to be about 5 crores and I estimate the total agricultural indebtedness of the province to be something like 150 crores.

(ii) The manner in which the estimate of indebtedness was made in respect of Jessore district will be clear on reference to the economic chapter of the final report of the Jessore district and I cannot suggest a better method.

(iv) My idea is that 70 per cent. of the debt is incurred directly or indirectly for agricultural purposes and subsistence, 25 per cent. for marriages, litigation and other luxuries and only five per cent. for agricultural improvements.

(v) Only five per cent. of the debts is due to co-operative societies, 10 per cent. to loan offices and the remaining 85 per cent. to individual bankers, of whom about 40 per cent. would be richer agriculturists or landlord and the rest are men of profession (such as merchants, pleaders, muktears) and professional money-lenders.

(vi) Agricultural indebtedness is fast increasing, but the price of agricultural land is also increasing proportionately. The increase in agricultural indebtedness is not so noticeable from the figures of the registration offices as the lands are gradually passing off to non-agriculturists and richer agriculturists who after a generation will cease to be agriculturists in the true sense of the word. My idea is that the land is gradually accumulating in the hands of non-agriculturists and richer agriculturists who have little or no debts at all.

(vii) Land improvement loans are scarcely allowed in Eastern Bengal. Agricultural loans are also allowed very sparingly and only in years of scarcity.

(viii) The interest charged for land improvement and agricultural loans is only $6\frac{1}{4}$ per cent. so the agriculturists would be only too glad if these loans were allowed freely. But the difficulty of Government is that it has not got unlimited funds for grant of these loans and has to keep itself within the budget. But if the agriculturists are to be really

helped Government should raise loan at seven per cent. (and it can easily get any amount of money at that rate) and should grant land improvement and agricultural loans at $9\frac{1}{2}$ per cent. keeping a margin of $2\frac{1}{2}$ per cent. for meeting the cost of loan distribution and collection and irrecoverable loans. Government could as well distribute these loans through co-operative societies, Imperial Banks or central co-operative banks.

(ix) The Kabulis scarcely lend money in the Mymensingh district, but they do a good deal of credit sale of clothes and make undue profit.

(xi) The Usurious Loans Act is more or less a dead letter in this part of the country. The courts scarcely interfere unless the interest is extraordinarily high. It is time that the Usurious Loans Act should be amended and should definitely lay down that interest at more than $37\frac{1}{2}$ per cent. whether directly or indirectly should not be decreed by courts.

(xii) Standard rate of interest should be fixed by legislation for secured and unsecured loan for the purposes of the Usurious Loans Act.

(xvii) My idea is that lands are fast passing on to non-agriculturists and richer tenants. It is within my knowledge that in Eastern Mymensingh a very large proportion of raiyats have already turned into landless labourers. Most of them now work as *bargadars* and being poor men with no landed security, cultivate the lands as best as they can with their very limited resources. The *bargadars* are gradually becoming poorer day by day owing to increasing cattle mortality due to scarcity of fodder, and unless the non-agriculturists, who get their lands cultivated by the *bargadars*, take upon themselves the responsibility of supplying cattle to the *bargadars*, within a short time the cultivated lands will gradually relapse to waste lands. The non-agriculturist holders of land, however, do not realise this and they want to risk nothing and are loth even to supply seeds. They would not mind so much if the outturn be less, but what they want is not profit without spending anything over the land. This is, however, bound to entail huge economical loss to the country. If this process goes on for a long time, the real agriculturists, who are being reduced to the position of *bargadars* will be eventually wiped out, and then perhaps the non-agricultural landholders will try to get their lands cultivated by motor machinery at contract rates, but until the climax is reached they are not likely to do anything towards improving the condition of the *bargadars* who not only supply the entire labour but also finance the cultivation wholly. It is unfortunate that the new amended Bengal Tenancy Act did not take note of the unfortunate position of the *bargadars* who are really the bona-fide agriculturists and has definitely laid them down to be only labourers.

Question 6. (i) Except garden produce there is hardly any subsidiary industries allied or supplemental to agriculture in this province; gurm-making to a small extent is however, resorted to by the cultivators of date and sugar cane growing areas.

(ii) The income of the agriculturists can be appreciably increased if they can be made to take to subsidiary industries seriously and in right earnest. Their conservatism and proverbial lethargy, however, stand in the way, and the only way to overcome these difficulties is not only to make primary education compulsory, as already under contemplation but also to make it compulsory for boys and girls reading in primary schools

to learn at least hand spinning and weaving. There should also be provision for the teaching of mat and cane work and also paddy-husking.

In other words, primary school should aim at turning out students who are likely to prove industrious and handworking agriculturists and farmers with a true sense of the dignity of labour.

(iii) Sewing, weaving, mat, cane work and paddy-husking if taught from childhood through primary schools will give sufficient employment to the agriculturist during slack season and will appreciably increase their income.

Question 6 (b) There are no facilities existing for obtaining loans by people who are not agriculturists and unless they have landed interest to mortgage they can't expect any loan at all except petty sums of Rs. 20 to Rs. 100 only.

Question 7. (ii) Co-operative societies as now existing are very much handicapped for want of sufficient capital. They do not get sufficient money for clearing all the old debts of the members and the result is that the members have to keep connection with outside mahajans, and can hardly expect to get out of their clutches. It is absolutely necessary to arrange for sufficient funds for rural societies. In connection with question 4 (vi) I have given my suggestions how this can be done.

(iii) At least 120 crores of extra capital will be required for fully financing the co-operative movement in the province.

Question 7. (a) (iii) Difficulty in getting the capital is the chief factor that operates against the rapid spread of co-operative banks in rural areas. There is a real and earnest hankering for co-operative banks in rural areas, but the difficulty in getting capital stands in the way. The professional money-lenders would not deposit any money in such banks and few other people have money enough to keep in deposit in the co-operative bank.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) Banks have to depend for capital on the following resources :—

- (a) Share capital.
- (b) Deposits.
- (c) Loans from other banks.

(ii) For the whole province my estimate is 125 crores.

(iii) The Postal Savings Bank and the deposit system in all the banks including co-operative banks and societies, are the most popular institutions in existence for encouraging savings and investment habit.

(iv) Public have got full facilities for investment of their savings but illiteracy of the masses stands on the way of their taking advantage of those facilities.

(v) The existing facilities can be improved so far as the masses are concerned if village co-operative societies be permitted to invest their reserved fund and other money with the Postal Savings Bank just like individuals, without sanction from higher authorities.

(vi) As far as I know, the habit of investing money in silver and gold is fast disappearing.

Question 2. (iii) Postal Savings Banks afford all possible facilities to the public.

(iv) It is only professional men and men in service who resort to Postal Savings Bank Investment.

Question 5. (i) I fully support the view that the banking and investment habit in India is of very slow growth and I am of opinion that if the growth is to be quickened some system of compulsory savings should be devised specially for the illiterate masses who are proverbially improvident.

(ii) Illiteracy and habitual improvidence are the principal causes of slow growth of banking and investment habit.

(iii) General education will give the people some idea about the benefits of productive investment, but that will be of very little practical help unless some system of compulsory savings can be devised. My idea is it should be made compulsory for every member of a co-operative society to deposit at least Rs. 5 every year and that investment should by legislation be protected from attachment by any other creditor and should be repayable only at times of urgent need with the special sanction of the Registrar of the Co-operative Societies. In fact it should be something like the compulsory General Provident Fund in case of certain Government and semi-Government servants (e.g., settlement kanungoes and District Board officers). Unless compulsion be introduced in some form the investment habit will not grow quickly.

38.

Mr. Satyendranath Dutt, Subdivisional Officer, Cox's Bazar, district Chittagong.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The ordinary agriculturist spends little for capital and permanent improvements of his land. This is due to lack of means and intelligence as well. Those who are better off in both respects effect improvements and meet capital expenditure from their own savings, or by loan from co-operative society, loan office or from money-lenders. In this Subdivision construction and maintenance of embankments to keep off saline water is the first charge on the land, and is met from one of the abovementioned sources.

(a) and (c) The agriculturist obtains finance by borrowing from—

- (1) Co-operative Societies.
- (2) Local money-lenders.
- (3) Landlord money-lenders.
- (4) Joint Stock Banks.

(ii) Rates of interest charged vary from 12½ to 15 per cent. by Co-operative Societies, and 15 to 50 per cent. by other lending agencies.

Period of loans.—In co-operative societies short-term loans are issued for one year for small agricultural purposes, and long-term loans for other purposes for 3 years. Other lending agencies generally issue loans for 3 years, but when lands are mortgaged the period

ranges from 3 to 9 years or even more. *Dadan* system is in practice in some parts.

Nature of security.—Ordinarily either standing crops or land are mortgaged, loans issued solely on personal security being rare.

About 80 per cent. of the loans are secured.

(iii) Professional money-lenders practically monopolise even now the entire field of rural agricultural finance. Co-operative societies are doing their little bit, but their numbers and the amounts they can lend out are insufficient. The other agencies have not so far affected rural areas to any appreciable extent.

(iv) The question of financing rural agriculture can only be solved, in my opinion, by starting co-operative societies throughout the country in large numbers. Their only function should not be to lend out money, but also to create a habit of saving and depositing the same instead of hoarding.

Question 2. (i) There are some big marts in which crops are purchased by dealers coming from outside. Raiyats having their houses close-by or within reasonable distance take their crops to the marts for sale on market days. Others wait idly at their houses with crops for dealers to turn up to that quarter.

The raiyat is wholly unable to hold up his crop for a better price, for, firstly, he has no means of knowing that by waiting he will get a better price or any price at all (since, no dealers might come that way at all that year and in that case he may be left saddled with his crops); secondly, he has no saving to fall back upon even if he has a mind for a better price. Demand for money for payment forthwith of rent and debts is insistent, and the poor raiyat has got to sell his crops for whatever price purchasers are pleased to offer.

(ii) Pools of raiyats for sale of their crops to be successful in their efforts have to be of necessity somewhat large size with sufficient funds at their back, but even smaller pools confined to one village are bound to improve the position of selling raiyats. I should think that co-operative effort in this line has great possibilities.

(iii) There is a co-operative sale society at Kutubdia in this Sub-division. It is financed by the Cox's Bazar Central Bank and it does not experience much difficulty in obtaining sufficient funds. Its object is twofold; (a) to sell things of ordinary use by raiyats, specially kerosene oil, at a fair price, so as to reduce the exorbitant prices demanded by shopkeepers before starting of the Society; (b) to purchase locally paddy when prices are low, and to sell it off again when prices are high. It has succeeded in its first object of reducing prices, but has not been able to draw any large customers as no credit sales are allowed. So far as the second object is concerned, it has been unsuccessful so far. Even if it succeeded in gaining its objective, the lot of the raiyats would not be improved, as its intention is not to give them better prices for their crops than they were getting before.

(iv) The raiyat should have facilities of giving over his crops to his society which would advance him money thereon to meet his immediate needs. The Society should arrange for sale of crops deposited by its members at the best market and credit proceeds in their respective accounts. The fund of the Society will consist of sale-proceeds

of shares, deposits of members and loans from central banks. These facilities are now wanting.

(vi) (b) It is undoubtedly true that the grower of produce in India does not get the full value for his produce on account of the speculative buying and selling activities of firms and companies who deal in the export trade and on account of the control of prices by these bodies and the whole host of middle men brokers. This is particularly exemplified in the case of jute, the price whereof is regulated by a combination of a few firms against whom the raiyats, disorganised and scattered over a big area enjoying no credit facilities, can have no chance of getting a fair price for their produce. To ensure a better return to growers, it is necessary to organise them into combinations and to furnish these combinations with sufficient funds.

(vii) The lack of banking facilities to persons engaged in the movement of the principal crops is due mainly to the position of monopoly enjoyed by buyers by virtue of their better position numerically, financially and intellectually, and to the disorganised position of sellers and their lack of credit individually.

Question 3. In Civil Court Rs. 190 is taken as valuation of all classes of land for an acre.

In purchase by private negotiation the value ranges from Rs. 70 to Rs. 190 per acre. Land in this Subdivision is either jungly requiring constant watching of crops from depredations of wild animals, or is subject to inundation by saline water and thus requiring embankments. Value of land is thus affected by these two factors. Ordinarily, land without embankment is not fit for cultivation, and carries nominal value.

Value of land in Government auction for non-payment of revenue is in majority of cases the actual arrears, while in the event of sale by court decree it does not ordinarily exceed 10 times the annual rent.

Question 4. (i) There is no legal impediment to the mortgage of land and agricultural holdings.

(ii) The amended Bengal Tenancy Act has increased the credit of the agriculturists, as the mortgagee feels more security in the legal right conferred on the agriculturists for disposing of their lands without having to secure permission of landlords.

Question 5. (vii) Land Improvement loans are given very sparingly and Agriculturists' loans also only on occasions of serious failure of crops on a large scale. There is a vast field for granting of these loans to the great benefit of agriculturists.

(xiv) I am for starting of co-operative dharmagolas, from which members can take loan of seeds and paddy in normal times on small interest.

(xv) 50 per cent. is the ordinary rate.

(xvi) Quite a number of efficient farmers are every year being turned into tenants-at-will through the process of the enforcement of old debts and landed property passing into the hands of the creditors.

(xviii) This process is going on systematically, and it does certainly take away from the actual cultivator the incentive to produce more and in an efficient and better manner.

Question 6. (i) Basket-making, Gur-making and spinning on a small scale are the only subsidiary industries supplemental to agriculture existing in this Subdivision.

(ii) Absence of easy means of communication for transport is the special drawback in the Subdivision, besides the lack of education, training and organisation of agriculturists as in other places.

(iii) There are no end of enterprises which would give them work to fill up their spare time, if they could only be trained to them and markets are found for the products.

(iv) Co-operative Societies should furnish the capital required.

Question 6A. (i) Small industries are now financed generally with private money belonging to the businessman himself, or with money borrowed from professional money-lenders, or from banks.

(ii) I would suggest establishment of special banks for financing these industries.

Question 6B. (i) Mainly, professional money-lenders, and to a small extent banks.

(ii) Money is generally borrowed for unproductive purposes such as meeting expenses for some social ceremonies or the like. The rate of interest varies from 15 to 50 per cent.

(iii) It is probably on the increase.

Question 7. (i) The co-operative societies have been able to draw very small deposits. Consequently, they have to depend wholly on loans from central and provincial banks which can hardly meet their demands.

(iii) An extra capital of Rs. 10 lakhs would be an under estimate, in my opinion, for financing the co-operative movement of this Subdivision alone.

Question 7A. (i) I do not find any reason for central banks not granting loans to individuals and depositors, provided they have sufficient funds for the purpose after meeting all demands of loans from Societies affiliated to them. The Central Bank here is not in a position to meet even legitimate demands for loans from its constituent societies.

Question 7B. (i), (ii) and (iii) Co-operative societies have to an appreciable extent reduced rates of interest in rural areas, and have to a very small extent replaced professional money-lenders. There is still a vast field for co-operative activities, and among the factors that operate against the rapid spread of co-operative banks in rural areas are dearth of officers and unhappy selection of officers entrusted with responsible work of organisation and initiative.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (v) Rural Co-operative societies are now treated wholly as lending concerns. Attempts should be made to use them as investment centres.

(vi) I should not think there is now much investment in silver and gold. Ideas have greatly changed, and the educated classes have now

far better ideas of investment than locking their spare money in showy ornaments.

Question 2. Postal Cash Certificates do not appear to be popular in this Subdivision, the main reason being probably ignorance. More propaganda in the shape of vernacular posters and booklets would be useful.

(iii) Post-office Savings Banks work on extremely rigid lines, and the public more often than not feel difficulties in doing business with them.

(iv) The educated middle classes mainly resort to them.

(v) Other classes may be attracted by raising the rate of interest and relaxing the rigidity of rules consistently with safety.

Question 3. (iii) Educated classes would invest their money in the nearest bank and leave it there till withdrawn to meet expenses of education of children, or of marriage or some such social ceremonies, or of some unforeseen charges (e.g., medical expenses). Uneducated classes covering the agriculturists have rarely the habit of investment and would rush to spend the moneys on anything they would take a fancy to. Where the habit is otherwise, the money would be hoarded and buried somewhere or kept unused in a safe as a bait to robbers.

(iv) Farmers do not ordinarily lend to fellow agriculturists. There is very little of capital among the indigenous population, and what little there is, it lies dormant.

Question 4. (i) and (iii) Educated classes are getting accustomed to the use of cheques, and every attempt should be made to extend their use as far as possible. As a beginning, payment of over Rs. 100 may be made through cheques, and people familiarised with their use.

Question 5. (iii) While propaganda by Government in regard to Government loans would not affect any but the upper classes of Society who are, as it is, already well informed in these matters, it is essentially necessary to educate the lower classes with small savings as to how they can save and invest the same near at home. This can be effectively done by a spread of Co-operative Societies in rural areas and training people to look upon them more as investment agencies rather than as lending bodies.

39.

Mr. A. R. Malik, M.A., B.Sc. (Edin.), Deputy Director of Agriculture, Northern Circle.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) For the purposes covered by clauses (a) and (b) the agriculturists usually take loans from local shahas, mahajans and banks. Some zaminders and jotdars have also taken to money-lending. For purposes under (c) they have learnt that money can be obtained from the Collector of the district on joint-bonds under the Agriculturists' Loans Act.

(ii) The rate of interest varies on larger sums from 9 to 18 per cent. and on smaller amounts and shorter terms from 2½ to 4 pice per rupee

per month which works out to nearly 47 and 75 per cent. per annum. The security is either the standing crop or landed property.

(iii) The agencies mostly accessible to the cultivators are the professional money-lenders, indigenous banks and local merchants. The co-operative banks, wherever started, are gaining popularity; but they have received a set-back in the Pabna district on account of the "several and joint responsibility of the members of a rural bank" when certain unscrupulous directors caused liquidation for which others were held responsible.

(iv) Cannot give an estimate.

(v) There is no control over indigenous bankers or money-lenders and the interest is usurious.

The remedy would lie in compulsory registration of all kinds of money-lenders and the fixing of the maximum rate of interest that can be charged for different purposes. When the money-lenders are registered their books should be liable to inspection and verification, in a few cases, by enquiries from borrowers.

(vi) No co-ordination at present exists among the various credit agencies, and as interests are selfish such co-ordination will be very difficult, if not impossible.

Question 2. (i) In general, principal crops are sold to middlemen in the nearest town or market place.

The raiyat is unable to hold up his crop for a better price as, being indebted already, he wants ready cash at the earliest possible time, to redeem his debts. Moreover, his sole source of income being his crop, he must sell the portion not required for home consumption for buying other necessities of life.

(ii) Pooling system should work very well in conjunction with the co-operative banks if the raiyat could get money from the banks for his other necessities at a nominal interest just to cover proportionate cost of storage.

(iii) The co-operative sale societies worth the name are only in respect of jute and no other crop. At Naogaon the Co-operative Agricultural Association purchased paddy at harvest and sold at next sowing time but this, strictly speaking, is not co-operative purchase and sale.

(iv) No such facilities exist but the rural co-operative banks would be useful here.

(v) (b) If suggestion is true as is evident from the co-operative jute sale societies which can give a better return to their members than the Marwaries or other purchasers.

(viii) Money is remitted through postal money-orders and drafts of the co-operative banks but the draft system although much cheaper is not widely known or spread.

(ix) Illiteracy of the raiyats and poor publicity are two drawbacks. Banking sense should be created and a network of rural banks spread, each controlling 10-mile square area approximately.

Question 3. (i) The value of land varies from Rs. 20 to Rs. 200 in different parts of the same district (Dinajpur) while in more prosperous centres it goes up to Rs. 500 or more per bigha.

(ii) Factors affecting the value of the land are—

- (1) productivity of the soil,
- (2) proximity to a hât or market place,
- (3) proximity to means of communication, i.e., railway road, river and
- (4) incidence of natural advantages, i.e., rainfall, elevation, drainage.

Question 6. (i) Some industries allied to agriculture exist in Northern Bengal but they are either big, such as the rice mills at Hili, Panchbibi, Rajshahi; or very small for home consumption only. Rice milling as a small industry to give an additional income is not appreciable.

Dairy farming, none in an organised form but of course gowalas with a few cows exist everywhere. As an industry, however it exists in a small way at Nator and Shahzadpur (Pabna district). Ghee-making in Thakurgaon (Dinajpur district) and Shahzadpur (Pabna dis-

Gur-making in Thakurgaon (Dinajpur district) and Joypurhat (Bogra district) more generally and in Rajshahi Sadar, Rangpur and almost everywhere to a slight extent.

Garden-produce, everywhere.

Cotton-ginning, no where in Northern Bengal.

Sugar-refining, no where in Northern Bengal.

Hand-spinning, very little.

Fishery, everywhere to a small extent but on large scale by special class of fishermen.

(ii) By a closer co-operation between Industries and Co-operative Departments an intensive survey and propaganda might be done and when industries are established marketing may be done through co-operative sale societies.

(iii) Food and clothing are two main necessities for a man. The chief business of a cultivator is to produce food and thus be self-supporting in this respect. If he learnt the art of ordinary weaving he could produce his own clothing too. He would thus require very little to spend money for.

(iv) If the working capital is advanced like agricultural loan on nominal interest and then realised in six to ten years, many industries would be started by honest people.

(v) Co-operative banks could easily render this service.

40.

Mr. Nirmal Deb, District Agricultural Officer, 24-Parganas.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) Loan from mahajans, co-operative banks, and zamindars, and also from merchants by way of advance for the crop especially in case of jute.

(b) Loan from mahajans, co-operative banks and zamindars.

(c) Loan from mahajans, and also to some extent from the Kabulis.

(ii) The rates of interest vary from 12½ per cent. to 37½ per cent. according to the source and amount of loan and the nature of security tendered. No time limit is ordinarily fixed, but generally it is from 6 months to 1 year. Land—agricultural or homestead—is generally the security given and accepted.

Approximately 60 per cent. of the loans are secured and 40 per cent. unsecured.

Question 2.—(i) The present method of marketing principal crops is :—The raiyats dispose of their produce to the agents of merchants or to a class of middlemen locally called *faria*, who in their turn take the commodities to bigger centres or to Calcutta where they are sold off to big merchants.

The raiyats are unable to hold up their crops for better price because they require ready money to pay off the zemindar's rent and the loans taken and also to purchase the necessaries of life.

(ii) There are immense possibilities for formation of co-operative sale societies to get over the above difficulties.

(iii) Yes, there are some co-operative paddy sale Societies in this district. They are constituted under the Co-operative Societies Act. They are financed at present by the Bengal Provincial Co-operative Bank. To my knowledge they do not experience any difficulty for funds.

(iv) If only some arrangements could be made for financing the raiyats to meet their requirement of ready money they would be capable of holding up their produce for a better price, but at present there are no such facilities for them.

Question 3.—(i) The price of paddy lands ordinarily varies from Rs. 250 to Rs. 350 per acre and that of uplands capable of producing 2 crops a year, Rs. 300 to Rs. 500.

(ii) The value depends on several factors, viz., fertility of the soil, situation of the land, facilities for irrigation, terms of tenancy, etc. In case of Government auction or sale by court decree the land generally fetches poor price, because there is then no genuine demand for the land, and the bidders try to take advantage of the situation. Such is also the case in purchase by private negotiation when the seller is obliged to dispose of his land to clear off his heavy debts. But in bona fide transactions a fair price is generally obtained.

Question 5.—(i) No.

(ii) It is doubtful whether any estimate of the people's indebtedness could be obtained from the actual persons who are in debt. A fairly accurate estimate can, however, be obtained by any responsible officer of Government, from the co-operative societies and professional money-lenders.

(v) The debts in the rural areas are mostly due to either the co-operative societies or professional money-lenders.

(vi) Agricultural indebtedness in this district appears to be increasing.

(ix) Itinerant Kabuli money-lenders are indeed found in this district, but they are found more in the urban and industrial areas than in the rural ones. They generally lend small amounts of money without security at high rate of interest. They call on the debtors now

and then and demand the interest. Their peculiarity is that they are not so keen on getting back the principal.

(xiv) The best solution would be if the Government through the Circle Officers or the District Board through the union Boards or the central co-operative banks through the rural co-operative societies could advance the seeds or paddy on condition of repayment after harvest either in kind or in cash, with an increase, of course, by way of interest. In case of repayment in kind the grains can be collected at some central place, e.g., Union Boards' office or the Co-operative Societies' office and either advanced again or sold off in cash.

(xv) The paddy is returned after harvest with an increase of either a quarter or half the quantity advanced.

(xvi) For loans of small amounts or for indefinite periods the interest is generally calculated at the rate of 2 pice per rupee per month or part of a month. For larger loans the rate of interest is generally calculated at 12½ to 25 per cent. per annum according to the nature of securities given. In case of heavy arrears the debtor is made to sell either his moveables or the land for clearing his debt.

(xvii) Yes, to a considerable extent.

(xviii) Yes.

Question 6.—(i) Excepting dairy-farming, gur-making and market-gardening to small extent practically no subsidiary industries exist among the raiyats in general.

(ii) Allied industries, like jute-spinning and hessian-weaving, rope-making, manufacture of country sugar from molasses, rice-milling by small machines, etc., and also industries like bone-crushing, tanning, manufacture of washing soap, etc., which do not require any large capital and which have plenty of scope in every village, can easily be introduced.

(iv) Capital for such enterprises can be secured from the Central Co-operative Banks by organising the raiyats taking up these industries into a Co-operative Industrial Society and affiliating the society to the Central Bank.

Question 6A.—(i) By loan from professional money-lenders.

(ii) By organising them into Co-operative Industrial and Sale Societies and obtaining advance from Central Co-operative Banks for purchase of raw materials and repaying after sale of the produce.

Question 6B.—(i) Loan from mahajans and Kabulis.

(ii) Mostly for some unproductive purposes like marriage or any other social function, litigation, medical treatment, payment of land revenue or rent, etc.

The ordinary rate of interest on the secured loans is 12½ to 18½ per cent. and on unsecured loans the rate varies from 25 to 37½ per cent. according to the nature of securities and credentials of the borrower.

(iii) The Co-operative Banks can help them a good deal by more extensive organisation of credit societies among such people.

(iv) The indebtedness appears to be on the increase.

41.

Mr. N. Bose, District Agricultural Officer, Khulna.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) The agriculturist obtains finance principally from the money-lenders and landlords, while a limited portion through the rural co-operative societies.

(a) Same as above.

(b) Ditto.

(c) Government grants Takavi loans when failure of crop is general, otherwise as in the foregoing paragraphs.

(ii) The rates of interest charged vary from 25 to 37½ per cent. in cash or 50 per cent. in kind for a period of 6 to 8 months; all such transactions are unsecured.

(iii) Takavi loans are granted by Government in case of famine, cyclone, flood and other general calamities only. Loans under Land Improvement Loans Act, etc., are granted to a very limited number of persons, the funds at the disposal of the Collector being totally inadequate to meet ordinary demands. The Imperial Bank does not carry on any business in this district. Since the Bengal Tenancy Act of 1929 joint-stock companies have been lending some money. Co-operative banks issue loans to the members only. The professional money-lenders' business in this respect is the largest.

(iv) Without thorough survey it is very difficult to come to any estimate.

(v) The present system of financing agriculturists by the Government under Land Improvement Loans Act is defective for the following reasons:—

(a) It is a short-term loan.

(b) Funds at the disposal of the Collector is insufficient to meet ordinary requirements.

In every village, best agricultural lands are mostly possessed by the bhadrak class, who are directly or indirectly connected with agriculture. Owing to their straitened circumstances these intelligent people are not in a position to follow improved methods of agriculture. If the funds at the disposal of the Collector are sufficiently increased and long-term credits (say for 10 years) are given to the keen agriculturists belonging to bhadrak class and raiyats, immense benefit is expected to be derived and the intricate problem of unemployment among bhadrak class would be solved to a certain extent. Vigorous propaganda for organising rural co-operative societies should be made throughout the length and breadth of the district for broadcasting co-operative spirit and increasing these institutions for improving the financial position of the rural population.

(vi) No, there is much scope for improvement in that direction.

Question 2.—(i) The principal crops of the district are marketed through the middlemen (farias) who make their purchases from door to door and insert themselves between actual growers and regular traders (bepari). The growers cannot hold their crops on account of poverty.

(ii) The growers require financing in order not to be forced to sell their crops too early. It has been found that if this be done it simply means that speculators step in and secure the grains and hold it for higher prices. Vigorous propaganda for organising co-operative sale and supply societies in suitable centres should be made. Formation of such societies should prove more beneficial to the actual tillers of soil than formation of pools. There is much scope for marketing produce on co-operative basis.

(iii) There is no sale and supply society in this district.

(iv) The problems of finance are indissolubly limited with marketing as an integral part of production. Much of the obstacles will be overcome if the co-operative spirit grows. The growers must be protected from unscrupulous money-lenders and from the necessity of forced sales.

(v) There is no foreign trade worth mentioning in the district.

(vi) The local traders and big merchants do not carry on their business with the local banks of any class as there is no facility for the same.

(vi) (a) Financing is done by the money-lenders and their rate in such cases is between 12 to 18 per cent. on the security of immovable properties. Rural co-operative banks and central co-operative banks may get sufficient deposits if they agree to pay 8 to 9 per cent. interest and they may invest this money at 12 to 15 per cent. on proper security.

(vii) It is mainly due to borrowers' lack of credit and the timidity of the advancing banks.

Question 3.—(i) The values of land for different kinds of crop in this district are as follows:—

	Average cost per acre.	
	Ra.	
(a) Paddy lands	...	300
(b) Jute lands	...	600

(ii) (a), (b) and (c) Purchase by private negotiation is free from legal difficulties, e.g., setting aside the sale and sub-infeudation.

Question 4.—(i) Formerly non-transferability of agricultural holdings and at present a premium of 20 per cent. are impediment to the mortgage of lands.

(ii) Not very much.

(iii) It affects only to a small extent.

(iv) No.

(v) If the rural co-operative societies get large reserve they may invest this on long-term credit or advance for the purchase of implements and cheap machines on proper security. Co-operative banks may get sufficient deposit if they agree to pay 8 to 9 per cent. interest.

Question 5.—(i) No.

(ii) By selecting a particular village and making a thorough survey of it.

(vi) Agricultural indebtedness to the best of my knowledge is increasing day by day.

(vii) Very little.

(viii) See reply 1 (v).

(ix) Yes, these people grant loan promptly on pro-notes which they realize at the point of their stick and they always ask for the interest and rarely for the principal, and their rate of interest is 2 annas per rupee per month.

(x) By starting dharma golas in each village. For loan of seed paddies it is desirable to start seed centres on Dewanganj lines.

(xi) Fifty per cent.

(xii) It takes place all over the district.

(xiii) Necessarily it does.

Question 6.—(i) In early days of British administration the principal industry of the district was the manufacture of salt and next to it was date palm sugar industry. The former has died out long since while the latter very recently. There are no organised industries or manufactures except fish preserving. Date palm gur is manufactured in every village and good many people earn their livelihood by mat-making. Other industries, e.g., hand-spinning, rice-milling by dhenki, are insignificant cottage industries.

(ii) Co-operative organisation among mat-makers would really improve their condition.

(iii) Introduction of handy paddy-husking machine of the Industries Department and sutil rope-making machine of the Serampore Weaving College may give employment not only to the farmers but also to the middle class bhadraloks for supplementing their income. The unsold or inferior jute may profitably utilised by the machine.

(iv) The best course for securing working capital would be to admit deposits in the Central Co-operative or rural banks on 8 to 9 per cent. interest. Co-operative banks may get sufficient reserve if they agree to pay above interest and they may invest this money for various purposes. It must be noted here that before introduction of the above machines practical demonstration before the very eyes of the people is essential. The cost of demonstration in each district may be obtained partly from the exhibition grant of the Agricultural and Industries Departments, local exhibition funds if there be any and contributions from the District Board.

(v) Co-operative Central Banks and rural co-operative banks.

42.

Mr. S. K. Dutt, District Agricultural Officer, Bankura.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) From co-operative societies and mahajan (local money-lenders).

(b) Co-operative Irrigation Society and Government (Land Improvement Loans Act of 1883) and mahajan.

(c) From co-operative society, mahajans and Government (Agriculturists' Loans Act of 1884).

(ii) From—

Co-operative Society (to 10 or more individually or joint liability)
—12½ per cent.

Co-operative Irrigation Society (to 10 or more individually or joint liability)—9¾ per cent.

Government—Loans Act, 1884—6½ per cent.

Government—Improvement Act, 1883—6¼ per cent.

Mahajan—

Upon advances of paddy payable within 6 months, without any security—25 per cent.

Upon advances of cash, upon mortgage of land and other immovable properties—14 to 18½ per cent.

Security—Hand note or mortgage of land or other immovable property.

Paddy is advanced sometimes without any security to reliable and solvent persons.

Secured—75 per cent.

Unsecured—25 per cent.

(iii) The agricultural finance in this district is mainly in the hands of professional mahajans, the co-operative bank having a small share.

(c) *Government Loan*.—People have to apply for loan more than a year in advance. Payments must be made within the fixed time in instalments on 31st January and 30th June.

Reason.—Otherwise money will not be allotted in the budget grant of that year.

Remedy.—Money should be kept in reserve with Government so that people may get credit within 3 months of application. There should be only one instalment of payment, viz., 28th February, as paddy, the principal crop, is not thrashed and disposed of before the end of February.

Co-operative Society.—The members severally and jointly responsible for the loan taken by a member.

Otherwise the society will go into liquidation for unrealised debts.

The unrealised debt may be realised partly from the reserve fund and partly from other members equally.

The main defect in the financing of agriculture is that it lies mainly in the hands of professional money-lenders who look solely to their own interest to the ultimate ruin of the borrowers.

Reason.—The reason is that there is no alternative.

Remedy.—Credit societies and grain banks should take the place of these professional money-lenders.

(vi) There is no co-ordination among the various credit agencies.

Question 2.—(i) Whenever any raiyat wants money, he approaches the local merchant and offers for sale the paddy he has got and submits to whatever price he is paid. The money is paid in cash then and there. The local merchant takes the paddy to the arat or rice mill situated generally in big town for sale there. Sometimes the raiyat himself takes the paddy direct to the arat or local rice mill. He is unable to hold up his crop for a better price for the following reasons:—

(1) To pay the debt incurred for cultivation, rent, marriage, excavation of tank, illness and treatment.

(2) To repair the house.

(3) To purchase clothes.

(4) To purchase and repair implements.

(5) To purchase bullocks.

(ii) Yes, there are possibilities.

(iii) No.

(iv) The local merchants finance the raiyat in marketing the produce.

Question 3.—

		Per acre.
		Rs.
(i) High land—aus paddy	... ..	40—50
Medium land—intermediate (Kartic) paddy		80—100
Low land—winter paddy	... ..	200—250

(ii) The main factor is the fertility of the soil, retention of facility for irrigation and proximity to a road and town.

(a) In Government auction for revenue, the price realised is a little less than the usual price.

(b) In court decree the price obtained is generally a little less than the usual price.

(c) By private negotiation proper price can be obtained.

(iv) The debt may be due to illness and consequent treatment.

(v) The debt is largely due to professional money-lenders.

(vi) The debt is not decreasing.

(vii) To a very limited extent.

(viii) Money should be available within 3 months of making the application and there should be only one instalment, viz., on 28th February.

(ix) The Kabulies are to be found. They supply money or clothes to the raiyats without any security to be repaid in one instalment after a year with interest at 100 to 150 per cent.

(xiv) A dharma gola (grain bank) may be started where the raiyats will deposit paddy in cases of good years and may get loans in times of need. The dharma golas will arrange for the seeds of their members.

(xv) Paddy loan for seed purposes—50 per cent. and for other purposes—25 per cent.

(xvi) Rates of interest on cash—14 to 18½ per cent.

Interest on cash will have to be paid for the month in which the money is taken but not for the month in which it is repaid. (Interest for grain for full one year is realised even if the period be less.)

It is enforced by keeping a strict watch and not allowing the raiyat to dispose of his paddy otherwise, unless amicably realised they go to civil court.

(xvii) Yes.

(xviii) No.

Question 6.—(i) Rice milling, dairy farming and garden produce.

(iii) Weaving, cane basket-making.

(v) Co-operative society.

43.

Mr. A. T. Weston, M.Sc., M.I.C.E., M.I.E. (Ind.), Director of Industries, Bengal.

1. The terms of question 6A cover both the case of cottage and bazar industries as well as small power-driven factory industries. I shall first offer some observations relating to the former.

2. As regards the supply of fixed capital for small cottage and bazar industries our experience is that in general such small industries work with equipment of the most primitive and cheap character locally obtainable and that any financial help which may be required in purchasing or making this equipment is obtained from the mahajans or middlemen capitalists who are interested in the products.

3. As regards circulating capital for such small industries, it is our experience that in general the craftsman or workers have such little general education and business ability that it is customary for the whole of the financial arrangements to be supplied by the mahajan community and by methods with which the Committee must be fully cognisant. A perusal of the Survey of Cottage Industries Report (2nd edition) will give the Committee a great deal of first hand information about the cottage and small industries of the province, the methods by which they are carried on, the financial extent of their operations in some cases and the methods by which they are financed.

4. As regards measures for improving the position, one of the aspects of the policy which is being followed by the Department of Industries is to establish technical schools in as many of the district towns of the province as possible, such schools being equipped with modern labour saving power-driven machinery of general application and type to suit rural communities' needs. We propose to give in such schools technical training and experience to young men of intelligence, as the result of which they can apply themselves to the task of developing rural industries both of the existing and other new types on a basis more self-contained than is generally the case and independent of the mahajan community. For the financing of such efforts we consider that co-operation on the lines advocated by the Co-operative Department is the most reliable and feasible method. Such schools as the Mymensingh and Comilla District Board Technical Schools, the Krishnagar

Technical School, etc., are the best but by no means fully satisfactory samples of the policy at which we are aiming. The department has also been able to supply a measure of technical training in small industries through its demonstration parties in bar and moulded soap manufacture, umbrella handle bending and umbrella manufacture, conch shell cutting, etc., as the result of which a number of small enterprises have been started on the co-operative basis. In the case of weaving schools, a system of granting loans by which passed out students can purchase improved looms and other weaving accessories has been in vogue for a number of years. On the whole this scheme has been of considerable value and success in helping the weaving community to improve its technique. Further particulars of the rules under which these loans are given can be supplied, if desired. We consider the co-operative method of financing small industries in conjunction with the Central Sale Depot maintained at headquarters towns for the disposal of the finished products to be the best method of providing financial facilities and finding markets for small industries, inasmuch as it gives the producer a responsible stake in the quality of his product and therefore in the condition under which it is marketed. The difficulty lies in marketing the wide variety and quality of patterns and sizes, designs, etc., of products finding a wider market than the traditional one in the locality of their origin.

5. In addition to the cottage industries previously dealt with, there are in the province a number of small independent industries whose fixed capital requirements come within the range of, say, Rs. 2,000 up to five lakhs, such as, for example, small soap factories, oil-pressing mills, rice mills, tanneries, hosiery factories, etc. Many of these small industries do not come within the scope of the Indian Factories Act and as such, accurate statistics regarding their equipment, numbers of workmen employed, etc., are not available. Industries of this character are financed both as regards their fixed and circulating capital by individuals sometimes as private enterprises and often as small limited liability companies. Rice mills, for example, are usually owned by individuals while concerns like the House of Labourers, Comilla, are a joint enterprise. So far, organised banks have not come forward with financial help in the establishment of such industries in any marked degree though there are exceptional cases where on the recommendation of this department or otherwise, the Imperial Bank has given considerable financial assistance, as for example, in the cases of the Calcutta Soap Works and Calcutta Pottery Works.

6. As regards measures for providing financial facilities for such industries, this department prepared a draft State Aid to Industries Bill, as long ago as 1921, the object of which was to enable financial aid to be given for the starting of suitable industrial enterprises in the province. The feature and provision of this draft Bill were laid before the Legislative Council in the current year but so far the Bill has not found a place in the legislation of the province and, therefore, no definite action by this department has been possible. The provisions of the draft Bill as presented by this department contains suitable measures for financing industrial development within the limits of Provincial Revenues.

7. Apart from Government agency the only measure which I can suggest for providing better financial facilities for such industries, and apart from co-operative organization, is for the established industrialists of this province in collaboration with financial organizations to establish

what is commonly known as industrial banks. It is only right to say that developments in this direction have been attempted, as for example, the Tata Industrial Bank and Karnani Industrial Bank, but so far as I am aware it is to be recorded that no particular industrial venture of any consequence has been successfully floated by this means. It is commonly admitted that the industrial progress of modern Germany is largely due to the success of industrial banking in that country. A recent article in page 1009 of November 30th, 1929, issue of the "Economist" makes it clear that the influence of the banking interests in Germany is mainly due to the more intimate connection between the managements of the banks and the managements of the larger industries, and to the greater readiness of the bank managements to take active measures in negotiating a larger range of financial business than is the case with bank managements in England and also in India. At the same time it is difficult to see how any banking concern can lock up the deposits of its clients in the fixed block capital requirements of industrial concerns without risking the fluidity of its deposits in the interests of the banks clients. The article referred to makes it clear that German banks do, under certain conditions, invest the "capital" of the bank as distinct from the deposits of the banks in industrial concerns whose reputation and goodwill and prospects warrant such action. It will thus be seen that the problem of establishing industrial banks, a large proportion of whose capital can be invested in this way is not very different from the establishing of the industries themselves and finding the necessary capital for the purpose. This is the main difficulty which has to be overcome in establishing larger organised industries in Bengal even though their capital does not exceed 5 lakhs. It is the hope of this department that when the facilities to be provided by the State Aid to Industries Bill come into operation, successful results in establishing new or what is called nascent industries will follow, and that from the experience so gained, established banking concerns will be more ready to take a more active part in the promotion and development of industries than has hitherto been the case.

8. As regards the circulating capital requirements of small factory industries, industrial banks can no doubt be of considerable utility and to the best of my knowledge existing banking concerns already give assistance in this way though from the point of view of the industrialists it is desirable that they should be more active in this direction than is commonly understood to be the case. As stated above much will depend upon the successful results which it is hoped will follow the State Aid to Industries legislation. It will then be possible to persuade the banks that they have been too cautious in their policy, and encourage them to give more readily the financial aid so much desired.

44.

Mr. Sudhindra Sankar Roy, M.A., of the Indian Posts and Telegraphs Department.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) Generally salaried educated men of the middle class with a modest income have recourse to this form of investment; also the rich men, who are reluctant to take to other forms of investment or who do not care for higher rates of profit or interest or

dividend, but only want some sort of investment which is reliable, safe and secure.

There should be sufficient publicity and propaganda specially in the mufassal and in the rural areas. Government are now issuing advertisement in the Calcutta Cinemas which, I think, is not required. The money would have been better spent if publicity work were carried on in the interior by means of lantern lectures, which would have made cash certificates popular among villagers and agriculturists, particularly in the districts which are now fairly regular purchasers of a pretty large number of smaller denomination issues. In districts where higher denomination issues have enjoyed a tolerable demand, attempts should be made on a quite different line to increase their popularity. Sale on commission by licensed vendors or through other agencies will, it is expected, increase the sale of cash certificates.

(ii) No.

(iii) There cannot be two opinions as to the fact that the Post Office Saving Banks enjoy the greatest amount of confidence among the public; but that confidence cannot be utilised to its full extent. The maximum limit of Rs. 5,000 on balances together with the prescribed limit of Rs. 750 on annual deposits keeps the well-to-do aloof. Want of proper facilities for remittance, etc., and for deposit or withdrawal except in the office in which the account stands open alienates the merchants. The element of time and space is a handicap to the poor men in the remote villages who do not think it worth while to walk over a long distance to deposit their small earnings or savings. Moreover, there is no organisation or propaganda which can teach them the way in which they can acquaint themselves with the rules governing the Post Office Savings Banks and can secure for themselves the benefit of same (Post Office Savings Banks).

(iv) The result is that mostly educated salaried gentlemen of small or mediocre means resort to the Post Office Savings Banks. We cannot have the rich men and the merchants and we fail also to attract the vast resources in the country in the form of small dribblets from the cultivators who form the majority of the population and most of whom have got no other banking facilities.

(v) Yes. If the rigour of the present rules and other existing defects and inconveniences are removed, it will go a great way. To attract the poorer classes a little propaganda and publicity will do well. Lantern lectures may be organised; there should be arrangement to make the agriculturists and cultivators familiar with the benefits of Post Office Savings Banks accounts whereby they can secure and accumulate their savings. Primary education should also be spread all round and when we have it everything will be done far more easily. To attract the merchants the Post Office Savings Banks should offer facilities for remittance, etc. The Post Office should also respond to the changes and requirements of time. With all possible facilities being thrown open to the public, even by loan offices, etc., it does not behove the Post Office Savings Banks to lag behind. The rules regulating the business of the Post Office Savings Banks should be amended in the lines of those in Great Britain and in the United States of America, otherwise the number of accounts standing open may, perhaps, in the near future, dwindle to a very low figure.

It is not that the business of the Savings Bank alone will diminish if sufficient facilities are not extended to the public, but also the

business of the Post Office in other directions. The merchants whom the Post Office Savings Banks offer almost no facilities, are now carry-out the purposes of remittances through the medium of Post Offices in the form of Money Orders Insurance, and Value Payable Postings. It is quite likely that facilities offered by other institutions will adversely affect these activities of the Post Office and there will be a consequent diminution of revenues. The large number of accounts standing open with the Post Office Savings Banks testify to the great confidence reposed in the Postal Department and it will not in any way be prudent to suffer an institution like this to fall into desuetude in this way. On the other hand diminution of deposits in the Post Office Savings Banks will lead the Government to draw on the money market bringing in its train the consequent stringency.

The Post Office Savings Banks form the only institution which can prevent people, who will not entrust savings to anyone excepting a Government organisation, from hoarding their savings; they will assist such people to accumulate their savings; they only are able to attract and mobilise the surplus capital of such people which would not otherwise be available for the country's credit requirements. The object of the Government in establishing Post Office Savings Banks is "to provide a ready means for the deposit of savings and so to encourage thrift," and there is no denying the fact that there are vast areas in which there cannot be any other agency than the Post Office Savings Banks which can "provide a ready means for deposit." It is meet, therefore, that the Government should take steps to make them more useful than close their counters to the people. Everything should be done to exploit the potentialities of the Savings Bank to the fullest extent.

Some defects of the existing system are pointed out below and measures which will serve to make the Post Office Savings Banks more serviceable to the people and hence more attractive are suggested.

I.—Limitations as to opening accounts and deposits.

(1) Opening of more accounts than one—a person should be allowed to open two or more accounts in his name.

According to rule 6 (1) of the Savings Banks Rules, a person "may not have more than one account open." It is not understood why this limitation is imposed on the depositor. It will be to the advantage of persons who have got transactions in various places to have accounts open in all or at least some of the places concerned. Few instances of violation of this rule have been noticed in other provinces. It is because the Post Office does not offer these facilities that people try to evade or frustrate the rules by various unfair means.

(2) Accounts in the name of two or more persons jointly should be allowed.

Rule 8 of the Savings Banks Rules prohibits such accounts. Such an account "payable to either/or survivor" will also lighten much of the work of the Circle offices.

(3) The limit of Rs. 750 on annual deposits—imposed by Rule 10 of the Savings Bank Rules—should be raised to a reasonable amount or altogether abolished.

(4) The amount at call which a depositor may have at any time, should be raised (from Rs. 5,000 as prescribed by rule 11) at least to Rs. 10,000.

(5) Deposits should be allowed through any Post Office either on production of the pass book or without it by means of deposit slips or certificates of credit or by post free of charge (e.g., by money-orders on postal service).

(6) Deposits by cheque should also be allowed. A period, say 10 or 12 days, may be prescribed for knowing the fate of the cheque during which no withdrawal of the said amount should be permitted. This will go a great way to develop cheque habits among the people.

II.—Withdrawals.

(7) Depositors may be allowed to draw cheques on their account if they please. This will also develop cheque habits.

(8) Withdrawals should be allowed through any post office besides the office at which an account stands open. This may be done by an application to the office of account a few days in advance in one of the following ways (a few days notice may be prescribed):—

(a) by cheque.

(b) by withdrawal forms.

(c) by means of letters of credit or pay orders issued by the Post Office.

(b) Withdrawal forms duly filled up and with the name of the Post Office at which payment is wanted entered therein, may be submitted to the office of account, which will compare the specimen signature, examine the balance at credit and permit payment. The Office will then forward it to the Postmaster-General who will issue final orders for payment at the office named.

(c) The Post Office may also issue letters of credit or postal orders payable at any post office which will be of great service in certain cases. Such letters or orders will specially be useful to tourists, traders, or businessmen. Let us take that a depositor who has to come from Dacca to Calcutta to make certain purchases require say about Rs. 700 at Calcutta. Under the present system he has to withdraw the cash at Dacca and carry it down with him to Calcutta. If such letters of credit or postal orders are introduced he will be able to have the money on his arrival at Calcutta or any other place where he requires it. The risk of carrying money with one's self will be eliminated and the money will not have to lie idle for two or three days. For identification purposes, the payee's signature may be put on the letter or order where possible. Identification cards, recently introduced, will also facilitate identification. I do not think that there will be any trouble about these letters or orders: they will be just like the British Postal orders which have been in use for a long time.

Merchants who have to send representatives in various places can make use of these letters or orders and will have the purposes of remittance served by them. They will develop banking habits, economise the actual circulation of money at least for some time and also will furnish an easy mode for carrying money.

III.—Other subsidiary measures.

(9) Tokens or receipt cards may be used when a Pass Book has to be made over at the counter for purposes of withdrawal or deposit. This will save much trouble which may otherwise occur.

(10) Depositors may be allowed to assign their accounts or mention names of nominees who will get the deposits in case of death. This will facilitate transference or payment of deposits after the death of the depositor and will at the same time relieve the Circle Officers and the Presidency Post Offices of much cumbersome work in connection with investigation and scrutiny of court documents to ascertain the rights of claimants at the time of closure of Savings Bank accounts.

(11) Arrangements may, if possible, be made for deposit or withdrawal through postal peons (say money-order peons) in outlying villages which have got no post offices carrying Savings Banks business within a few miles.

In the following lines chiselled on the Washington (United States of America) Post Office Building—and I think this should be applicable in case of Post Offices everywhere—we read thus:—

“Messenger of Sympathy and Love
 Servant of parted friends
 Consoler of the lonely
 Bond of the scattered family
 Enlarger of the common life
 Carrier of news and knowledge
 Instrument of trade and industry
 Promoter of mutual acquaintance
 And of peace and goodwill
 Among men and nations.”

The Post Office in India should contribute its quota to the trade and industry of the country and should do all it can to make itself an effective “instrument of trade and industry.” By reorganising the Savings Banks to suit modern requirements, the Post Office can be made the premier agency for disseminating knowledge of banking principles and practices to the farthest end of the land, help the people to widen their outlook in these respects and educate them in thrift and mutual trust. Let it thus fulfil its mission as the “Enlarger of the common life” and “Carrier of knowledge.”

(vi) No, I do not think that the Government are competing with banking institutions and bankers in regard to deposits so far as these are concerned.

Question 4. (i) The growth of the cheque habit has been rather slow. So far as the educated people are concerned this has been due to the want of banking habits, there having so long been no proper banking facilities. The treatment which people receive at the hands of small native banks is also veritable hindrance to the development of cheque habits. It is in some cases discouraging the use of cheques.

It is expected that a careful regulation of the present system and introduction of suitable controlling and inspecting agencies by the Government will considerably increase banking and cheque habits at least among the educated people in no time. Of late however, the use of cheques has increased to a satisfactory degree.

(ii) This has increased the use of cheques. I have been told of persons who, before the abolition of stamp duty used to draw cheques payable to "self" when several payments would have been due and pay in cash. Now they are using cheques when any payment is made.

(iii) Generally, the businessmen and merchants, the rich people, the big professional men, and educated middle class men use cheques. The use of cheques is now confined to the cities and big towns which only offer such facilities.

Yes, Government servants and bank employees may be paid as below :—

Pay above Rs. 100 and below Rs. 250—50 per cent. by cheque and 50 per cent. cash;

Pay from Rs. 250 and below Rs. 500—75 per cent. by cheque and 25 per cent. cash;

Pay from Rs. 500 and below Rs. 750—80 per cent. by cheque and 20 per cent. cash;

Pay from Rs. 750 and above entirely by cheque.

Deposit and withdrawal by cheques in the Post Office Savings Banks will also promote cheque habits and facilitate payment by cheques as pointed out above.

Introduction of cash credits in the co-operative societies may also go to promote cheque habits.

(iv) Yes, vernacular scripts may be used in addition to English already in use.

45.

Mr. Narendranath Ray, B.A., Investigating Inspector, Postmaster-General's Office, Calcutta.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (iii) Bengalees generally invest their savings in the following ways :—

(a) In villages and small towns some poor illiterate people hoard their savings. But the growth of different institutions within easy reach of these people for safe investment is rapidly removing this habit.

(b) Some people lend their savings to co-villagers sometimes on mortgage and sometimes on handnote. This, though risky and troublesome, is tempting enough as it fetches good interest.

(c) Some invest in lands, and others

(d) in limited liability companies by purchasing their shares.

(e) There are others who deposit their savings in co-operative credit societies, (f) banks and (g) loan offices.

Co-operative credit societies are getting popular. Besides credit societies for the general public, the employees of different Government departments have organised co-operative credit societies for themselves, e.g., Postal Co-operative Credit Societies. The members of these societies, besides purchasing shares, deposit their savings with these societies for fixed periods.

Real banks are confined to important towns only. Merchants and rich people utilise them.

Loan offices are diffused throughout the length and breadth of the province not excluding some of the remote villages. They have filled a void in the financial fabric of Bengal by enabling the middle-class men to develop their deposit habit on the one hand and the landed classes to maintain their solvency on the strength of their land credit on the other.

(h) Some deposit their savings in Post Office Savings Banks or purchase cash certificates.

(i) Insurance companies also encourage the people to save money, but these are popular only among the educated middle-class. Cultivators and other uneducated people are not yet well acquainted with insurance.

(iv) The public do not get everywhere full facilities for the investment of their savings. In big towns and those places where there are banks, loan offices, co-operative credit societies, post office savings banks, insurance companies of industrial concerns, people can invest their savings in more than one way. But in small towns and villages where there is none of these institutions, people have no other alternative but to keep their savings in the Postal Savings Bank or to lend to co-villagers. There are many villages in Bengal where there is not even a Post Office Savings Bank.

The following figures, relating to institutions in existence for investment, show the extent of facilities enjoyed by the people of Bengal.

One Postal Savings Bank in Bengal and Assam served—

Square miles.	Year.
54.4	1919-20.
53.8	1921-22.
58.0	1922-23.
57.3	1923-24.
56.3	1924-25.

The figure in recent years has slightly increased. One loan office in Bengal serves—

175.92 square miles (1928), on the assumption that every loan office has a savings bank department. One co-operative credit society in Bengal serves about 10 square miles (1926-27).

The averages have been taken with reference to the area of the whole province and as the working out of these averages has not been based on the inclusion of inhabited areas only, the area served by a banking institution must be much smaller than what it has been shown above. Still it may be safely presumed that the result obtained through such comparative statistics will in the main remain correct. The figures

amply bear out the fact that the people of Bengal mainly in the rural areas have to depend considerably on private money-lenders, especially in view of the fact that the services of loan offices except in a few cases are available to inhabitants of towns alone.

(v) At present full-fledged banks cannot be opened in villages, because the illiteracy of the people and the small volume of work will stand in the way of the growth of real banking business in the interior. Like mutual credit the literacy of the constituents is also an important factor in banking business. The opening of branches of big banks in the trade centres of the mufassal may be appreciated by the people, provided these finance the local trade and industries and can gain the confidence of the local people.

Co-operative institutions have been extended to the interior of Bengal but mainly in the form of credit societies. These credit societies have practically increased the borrowing capacities of the members but have not appreciably done anything to directly increase productive capacities of the constituents.

As regards the extension and improvement of Postal Savings Banks references may be made to the replies to Question 2 (iii) and (v).

The institutions which are in existence throughout Bengal have grown according to the requirements of the local people and are suited to their genius.

Instead of converting them into institutions of the same type they should be allowed to evolve their special features. The State may help it by federating them and bringing them under legislation.

Insurance in its manifold aspects is practically unknown to the major portion of the population of the province. Generally the rich, the middle-class with fixed income and big merchants insure their lives; but their percentage in proportion to the total population is not much. With the help of the Government insurance can easily be made popular. In fact some forms of insurance cannot be introduced without the aid of the Government. I think it is time for the Government to introduce at least suitable forms of social insurance. The postal insurance is suitable for the poor people earning on an average Rs. 14 to Rs. 20 a month. This insurance was so long limited to the Government servants only, but it has recently been extended to the professors and clerks of universities and affiliated colleges. This, if extended to the general public, is likely to be appreciated by them.

(vi) By investment in gold and silver I understand investment not in bullion but in articles made of gold and silver. It cannot be guessed with precision what amount is spent for ornaments and other articles made of these two precious metals. No figure is reliable unless supported by family budgets. From my personal experience I observe as follows:—The young generations of zamindars and big people are not keen on using silver plates, etc. The European fashion has more or less imperceptibly influenced their tastes. So they no longer invest so much money in silver and gold plates and other articles as they used to do a generation ago.

Now-a-days Bengalee poor people very seldom use metal ornaments, if they do, they use silver ornaments. But the middle and higher classes use gold ornaments. But the general trend is towards simplicity in respect of ornaments. Many varieties of ornaments have ceased to be the fashion of the day. Even those ornaments which are now being

used do not in most cases contain the same amount of gold as before. The economic pressure has compelled the middle-class to invent various patterns of cheap ornaments of gold with alloy.

Question 2. (i)

Sale of Cash Certificates in Bengal and Assam.

Denomination.

								Cost price realised.
		Rs. 10	Rs. 20	Rs. 50	Rs. 100	Rs. 500	Rs. 1,000	Rs. A.
Bengal and Assam	1910-20 ..	7,855	1,712	2,231	8,145	3,552	..	21,81,501 0
„	1921-22 ..	1,413	661	1,085	3,540	2,088	..	11,44,752 8
„	1922-23 ..	2,587	1,224	1,522	6,582	3,564	..	19,89,153 12
„	1923-24 ..	18,534	5,608	6,484	28,434	21,265	5,468	1,46,74,200 0
„	1926-27 ..	8,823	5,599	6,695	21,990	7,676	12,190	1,45,40,412 0
„	1927-28 ..	7,763	5,690	6,883	20,728	6,681	9,276	1,20,16,202 12

The figures for the sale of cash certificates in different districts or the whole province of Bengal are not available. The figures published by the Postal Department show the total sale of cash certificates in Bengal and Assam. From the figures compiled above it will be seen that the total sale of cash certificates of all denominations is not much in proportion to the total population of the two provinces. Now-a-days the cash certificate is not popular among poor people, e.g., cultivators, etc., in Bengal. Only the educated middle-class and the wealthy sections of the people invest their savings in cash certificates. These certificates have no doubt trained the people to keep their money in fixed deposit.

If these cash certificates are to be more and more popularised it is necessary that steps in the following lines should be taken :—

(1) Sale centres should be extended to the interior of districts. At present cash certificates are sold by post offices but in Bengal and Assam Circle one post office serves 36 square miles and 13,636 persons, of whom 1,182 are literate. From these figures it will be seen that the number of post offices, not being adequate in proportion to the area and population, cannot facilitate sale cash certificates to all sections of the rural population, especially to the illiterate. In the circumstances it may be seriously considered whether the co-operative societies and union boards should be authorised to sell cash certificates.

Some commission should be granted to those who sell cash certificates. It may induce the sellers to undertake proper canvassing for the sale of cash certificates.

(2) Adequate advertisement and propaganda. At present cash certificates are advertised in the cinema houses of big towns where advertisement is not so much required. Some arrangements for advertisements of cash certificates in the rural areas, especially among the illiterate village folk, should be made.

(3) The rate of interest should be high enough to attract buyers.

It will be seen from the table above that the sale of cash certificates strikingly increased in the year 1923-24, and this was due to the popularity of the new issue of cash certificates at more favourable rates and under more convenient conditions from April 1923.

In 1926-27 the grant of a special concession to holders of cash certificates issued before the 1st April 1926 to hold them at their option for a further period of five years after maturity in order to earn additional interest and bonuses tempted many holders of cash certificates not to discharge mature certificates. These show that the present bulk of purchasers are more or less acquainted with the conditions of the money market and attach due importance to the rate of interest in their monetary transactions.

(ii) The present rate of interest of cash certificate requires revision. It may be raised to that of the year 1923-24. Arrangement for safe custody may also be made.

(iii) In Bengal and Assam savings bank business is done mainly by the Post Office. The joint stock banks and the loan offices have also opened savings banks, but their rules have been framed on the line of those of the Postal Savings Banks. I shall deal with Post Office Savings Banks alone.

The Post Office Savings Banks are generally known as poor men's banks. Since their opening in India in 1882-83, they grew very popular and have since made very rapid progress as will be evident from the following tables:—

TABLE I.

Number of Post Office Savings Banks in India in the year—

1882-83	..	..	..	..	4,238
1892-93	..	..	..	..	6,408
1902-03	..	..	..	..	7,075
1912-13	..	..	..	..	9,460
1922-23	..	..	..	..	10,730

TABLE II.

Number of depositors in India in the year—

1882-83	..	..	..	..	39,121
1892-93	..	..	..	..	5,20,967
1902-03	..	..	..	..	9,22,353
1912-13	..	..	..	..	15,66,860
1922-23	..	..	..	..	20,43,502

TABLE III.

Average number of deposits per bank in the year—

1922-23	..	..	..	..	190.44
1923-24	..	..	..	..	198.32
1924-25	..	..	..	..	201.77

TABLE IV.

Balance at credit of depositors in the year—

				Rs.
1882-83	..	..	..	27,96,796
1892-93	..	..	..	7,81,87,727
1902-03	..	..	..	11,42,15,534
1912-13	..	..	..	20,61,14,502
1922-23	..	..	..	23,19,00,000

The progress in Bengal and Assam will appear from the following table:—

Year.		Number of Post Office Savings Banks.	Number of depositors.	Balance at credit of depositors. Rs.
1919-20	..	2,724	4,96,788	4,65,76,251
1920-21	..	.....	.....	.....
1921-22	..	2,777	5,52,927	5,58,48,528
1922-23	..	2,558	5,76,420	6,10,45,700
1923-24	..	2,589	6,13,754	6,59,57,066
1924-25	..	2,634	6,51,735	7,01,26,272
1926-27	..	2,959	7,52,257	8,31,17,519
1927-28	..	2,992	6,65,768	8,59,23,733

Although there has been some increase in the number of Post Office Savings Banks, they are still inadequate in relation to area and population; for post offices doing ordinary business have increased at a faster rate than those empowered to do savings bank work. This will be apparent from the following table for Bengal and Assam:—

Percentage of Post Offices working as Savings Banks in Bengal and Assam in the year—

1919-20	..	..	..	..	74.1
1921-22	..	..	..	..	75.1
1922-23	..	..	..	..	69.1
1923-24	..	..	..	..	70.0
1924-25	..	..	..	..	70.5

People in the rural area suffer from the inadequacy of savings banks in the interior of the province. If further facilities are to be provided for the public, the first step will be to increase the number of savings banks in the rural areas. The mere existence of an institution for the investment of savings in the vicinity indirectly stimulates the banking habit of the people. But the opening of banks in the midst of illiterate

persons in villages is, however, fraught with various difficulties. The sine qua non of banking business is mutual confidence which has yet to be developed in Bengal. Illiteracy also retards the growth of real banking in villages. In these circumstances it will not be an easy task to open banks in the rural areas. But still in one way the banking habit of the people in such places has been stimulated so far, and that through the Postal Savings Bank.

The Post Office Savings Bank has sown the seeds of banking habit in the minds of the poor even in remote villages. With the introduction of the cash certificate the villagers have been acquainted with the system of fixed deposit. Now at this stage real banking may be commenced throughout the length and breadth of the country at practically no cost if only the Post Office Savings Bank rules are amended with that end in view. People have more confidence in the Post Office than in other private institutions. So social psychology is favourable for the development of banking through this department.

The public do not feel tempted to fully utilise the Postal Savings Bank for want of all facilities for withdrawal, lower rate of interest paid and the non-use of cheques. All sections of the public do not get all possible facilities from the Postal Savings Bank, e.g., the business men and the traders are not benefited by the savings bank as it does not afford any facility to them. For the suggestions of remedies reference may be made to the replies to Question No. 2 (v).

(iv) It is very difficult to say what classes of population resort to investments in cash certificates and savings bank as no such statistics are available. But from experience it can be said that cash certificates are purchased generally by the merchants, the rich and the middle-classes. The cultivators or other lower class people hardly purchase any cash certificates. When these certificates were first issued and commission for sale was sanctioned to the postal staff, some cultivators and poor people in villages were persuaded to purchase cash certificates. But now-a-days these classes of people do not come forward to invest their small savings in cash certificates. The greater number of depositors of the Postal Savings Bank comes from those sections of the people who have, comparatively speaking, fixed and definite incomes. The Postal Department has got a statistics of the classification of the depositors of the savings bank according to occupation for the year 1903-04 only. These figures though too old will throw some light on any classification of depositors. The experienced old servants of the department maintain that the proportion disclosed in this old classification still holds good.

Classification of depositors.

Postal circles.	Pro- fessional with fixed income.	Pro- fessional with variable income.	Domestic.	Commer- cial.	Agricul- tural.	Indus- trial.	Indefinite.
Bengal	55,654	12,108	24,431	8,537	3,453	4,761	98,571
Eastern Bengal and Assam ..	10,630	4,088	5,040	1,114	308	816	23,856
Assam	4,491	2,043	3,372	911	533	491	6,482

Although the banks have as yet relatively few cultivators among their constituents, the amount of each year's deposits varies regularly with the general economic prosperity of the country. Thus in the famine year 1897-8 the deposits fell by 23 per cent. and the closing balance by 3·6 per cent. Political crises also affect the small depositors' confidence in the Government of India.

The agricultural, commercial and industrial sections of the population do not fully utilise the Postal Savings Bank as the facilities required by them are not afforded by the existing rules.

(v) If these and other classes are to be attracted, the existing rules of the Post Office Savings Bank shall have to be amended. I offer the following suggestions regarding the manner in which such amendments should be effected:—

(1) The rate of interest should be higher than what it is at present. Objection may be raised that sufficient amount of money has to be kept always ready to meet the demands of the depositors for withdrawals. It is not practicable to increase the rate of interest unless the greater portion of the balance at credit can be profitably invested elsewhere. But this argument does not stand. In 1922-23 the amount of net balance at credit of the depositors after meeting liabilities was Rs. 23,19,00,000. In Bengal and Assam the amount of net balance in that year was Rs. 6,10,45,708. Cannot a certain portion of this amount be profitably invested for short periods?

The rate of interest for savings bank deposit in joint stock banks and loan offices is higher than what it is in the Post Office. The rates of interest of the following banks and loan offices selected at random will give some idea:—

Name of bank or loan office.	Rate of interest for savings bank deposit.
(1) The Mahalakshmi Bank, Ltd. (Chittagong)	.. 5 per cent.
(2) The Chittagong Commercial Bank, Ltd.	.. 5 per cent.
(3) The Indo-Burma Traders Bank, Ltd. (Chittagong)	.. 5 per cent.
(4) The Chittagong Loan Co., Ltd.	.. 5 per cent.
(5) The Chaumuhani Urban Co-operative Bank, Ltd. (Chaumuhani, district Noakhali)	.. 4-11 per cent.
(6) The Mymensing Central Co-operative Bank, Ltd.	.. 4 per cent.
(7) The Bengal Doars Bank, Lt. (Jalpaiguri)	.. 3 and 3½ per cent.
(8) The East Bengal Commercial Bank, Ltd. (Mymensingh)	.. 4 per cent.
(9) The Bengal Zamindari and Banking Co., Ltd. (Dacca)	.. 5 per cent.
(10) Lloyds Bank, Ltd. (Calcutta)	.. 4 per cent.

The loan offices in Rangpur and Dinajpur grant 3 1/8 to 3 1/2 per cent. interest per annum on savings bank deposits. The average rate of interest for savings bank deposit at least in Bengal is higher than that of the Post Office. It is no doubt true that greater risk involved justified to a certain extent the higher rate of interest. But the difference on that score is not such as to justify 3 per cent. interest per annum for savings bank deposit in the Post Office.

A few years back the rate of interest of almost all funds went high due to some fluctuations in the money market, but the rate of interest in the Post Office Savings Bank remained unaltered.

(2) At present withdrawal is allowed only once a week. By the term week is meant the period from Monday to Saturday both days inclusive. This restriction should be relaxed and withdrawals should be allowed more than once a week. In England withdrawal is allowed once every day.

(3) The depositors should be allowed to deposit and withdraw money from the savings bank by means of cheque. The progressive nations of Europe and America have adopted this practice. In England a cheque is accepted for deposit provided that it is not crossed to a particular bank. Cheques bearing the word "account payee" are accepted only when drawn in favour of the depositor. But cheques which are payable to, or endorsed by, or for, limited liability companies, are not accepted for deposit by post offices in England. In Bengal also some private banks, e.g., the Iloyds Bank, Ltd., the Indo-Burma Traders Bank, Ltd. (Chittagong), etc., have already authorised their depositors to withdraw money by cheque from savings bank accounts. The introduction of cheque together with suggestions contained in Nos. 5 and 6 will greatly help those merchants who have to travel in the interior of districts to purchase raw materials and those who import merchandise to villages and small towns. In England the following procedure of withdrawal are helpful to the merchants. If more than £2 is required a form of notice of withdrawal must be filled up and posted to the Controller, and if the depositor has so requested and has forwarded the deposit book with his application, he will receive a crossed warrant payable through a banker. Any sum not exceeding £10 may be withdrawn by telegraph if the depositor pays the cost of the telegram and a service charge of one shilling.

(4) Any depositor of a Post Office Savings Bank should be allowed to deposit money in the accounts of other depositors in any post office in India.

(5) At present no withdrawal is possible from a Post Office Savings Bank other than that where the account has been opened. This rule is in need of amendment. Depositors should be allowed to withdraw from any Post Office Savings Bank situated at least within a province. In the United Kingdom a depositor can, on presenting his deposit book at any Post Office Savings Bank, withdraw on demand any sum not exceeding £2. If attendance at the specified post office is not practicable and the warrant is returned to the Controller, payment at some other office may be arranged. If this facility is extended to the depositors of the Post Office Savings Bank in India, the traders who now carry cash with them and pass anxious nights either in an insecure hotel, arat or a boat will surely utilise it and be able to draw money from a local Post Office Bank. Traders in the mufassal in Bengal, for want of such a facility, are compelled to carry hard cash with them and keep the amount overnight in sealed bags with the aratdars, etc., with whom they put up. But this is not safe as the arats are not yet subjected to any special law. This state of thing has compelled some people to devise some means to protect themselves. These persons belonging to the commercial class do not deposit their money from motives of saving or thrift but merely take advantage of the convenience which the Post Office offers for safe custody of money at interest—money

which can be immediately realized. "There is nothing to prevent a man having any number of imaginary minor relatives and opening accounts in all their names. * * * As an example of what is done, a case came to light some years ago in which a depositor at Dharwar was authorised to operate on 83 accounts with a balance of nearly Rs. 30,000. He was a broker by profession, and it was quite possible for him to control a balance of Rs. 2,00,000 in the Post Office if he wished to do so. Further enquiries made at the time elicited that one depositor at Bijapur controlled forty-two accounts, another at Surat thirty, and another at Karwar nineteen."* It will be seen that such depositors were businessmen, and were forced by circumstances to behave in such manner as though objectionable may well be regarded as suggestive of the way in which an amendment of the rules should be made.

(6) More pass books should be issued in vernacular. It is enjoined by rules at present, but not observed.

(7) Home safe should be introduced as has been done by some joint stock banks in India and co-operative credit societies in Bengal. It has been introduced in the United Kingdom.

India is being rapidly modernised. The above suggestions have therefore been put forward with a view to make the Indian Post Office Savings Bank meet the requirements of the modern society. At present the Post Office Savings Bank is merely a bank for deposit as it was in 1893. It does not lend and it affords facilities for remittance which is done either by postal money order or insurance. To compete with it co-operative credit societies and loan offices have sprung up besides joint stock banks. The co-operative societies accept deposit and lend but do not grant loans on hundis or drafts. The loan offices besides performing the functions of the co-operative credit societies are gradually undertaking business like discounting bills and drafts doing other banking business. Some of these, e.g., The East Bengal Commercial Bank, Ltd., Mymensingh, charge commission on hundis 1 1/2 to 2 annas. This may mean in future reduction of income of the Postal Department as derived from Insured and V. P. letters sent by merchants.

Those who have observed the evolution of loan offices in Bengal will agree that these are tending to evolve into land mortgage-cum-commercial banks. If the co-operative societies also undertake the finance of transactions on cheques, hundis, bills and drafts and extend these facilities to non-members it will be difficult for the Post Office Savings Bank to run apace in the progressive march with its antediluvian structure. At the present time the number of co-operative credit societies in Bengal outnumbered the Post Office Savings Banks in Bengal and Assam. Rai Bahadur J. M. Mitra, Registrar, Co-operative Department, Bengal, said in his evidence before the Royal Agricultural Society: "I expect that the Post Office will very soon be unable to get deposits; all the deposits will come to the co-operative societies."

So it will not be practicable to defer the modernisation of the Indian Post Office Savings Bank for long. The need for an amendment was urged by the Babington Smith Committee who said: "* * * We recommend that the Government of India should examine how far, notwithstanding the admitted administrative difficulties, it may be possible to improve the present procedure for the deposit and withdrawal of

* "The Post Office of India and its Story," Sir Geoffrey Clarke, page 86.

money, and to increase the number of post offices conducting savings bank business."

The problem still awaits solution and it may be pertinent to observe that the numerical strength of the Post Office Savings Bank as well as the number of people served by them are alone of sufficient importance to claim special attention from the Banking Enquiry Committee.

46.

Mr. N. C. Saha, Income-tax Officer, Bakarganj.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) At the District Headquarters—

- (1) The Barisal Loan Office, Ltd.
- (2) The Rindan Samity, Ltd., Barisal (established 1914).
- (3) The Barisal Bank, Ltd.
- (4) The Khairabad Loan Office, Ltd. (offices both at Khairabad and Barisal).
- (5) The Solak Loan Co., Ltd.
- (6) The Popular Loan Office, Ltd.
- (7) The Annapurna Bank (newly started).
- (8) The Koshabar Loan Co., Ltd. (newly started).
- (9) The Bakarganj Commercial Bank, Ltd. (newly started).
- (b) The Loan Association Ltd., Bhola—
- (1) The Patuakhali Loan Office, Ltd.
- (2) The Pirojpur Loan Co., Ltd.
- (c) See No. 4 under (a) above.

Question 2. (i) The Barisal Loan Office, Ltd.,—account on mercantile basis—

- (a) Paid-up capital=Rs. 21,325 at the end of 1335 B.S.
- (b) Reserve Fund shown=Rs. 2,57,616 at the end of 1335 B.S. but the real reserve is Rs. 55,000 only.
- (c) Short-term deposits=Rs. 46,097 at the end of 1335 B.S.
- (d) Intermediate deposits=Rs. 3,32,616 at the end of 1335 B.S.
- (e) Long-term deposits=Rs. 99,436 at the end of 1335 B.S.
- (ii) The Rindan Samity, Ltd.,—account on mercantile basis (1335 B.S.)—
- (a) Capital=Rs. 16,000.
- (b) Reserve Fund=Rs. 7,778.
- (c) Short-term deposits=Rs. 79,329 (seven days) plus Rs. 5,139 without interest, current account.
- (d) Intermediate deposits=Rs. 2,14,950.
- (e) Long-term deposits=Rs. 5,56,542.

(iii) The Barisal Bank, Ltd.—Information not available as there is no balance sheet for the last three years (after 1925-26). Working capital as per 1925-26 balance sheet was Rs. 19,168, deposits=Rs. 49,226, reserve=Rs. 1,331.

(iv) The Khairabad Loan Office, Ltd., year 1335 B.S. (mercantile)—

(a) Capital=Rs. 15,485.

(b) Reserve Fund=Rs. 12,130.

(c) Short-term deposits=Rs. 12,360.

(d) Intermediate deposits=Rs. 7,926

(e) Long-term deposits=Rs. 38,606 (two years, three years and four years).

(v) The Solak Loan Co., Ltd., year 1928-29 (account mercantile)—

(a) Capital=Rs. 13,811.

(b) Reserve Fund=Rs. 1,000.

(c) Short-term deposits=Rs. 1,090 plus Rs. 11,692—prudential account.

(d) Intermediate deposits=Rs. 9,188.

(e) Long-term deposits=Rs. 34,719 (including three years and four years).

Question 2B. (i) The Bhola Loan Association, Ltd. (mercantile, 1335 B.S.)—

(a) Capital=Rs. 15,622.

(b) Reserve Fund=nil.

(c) Short-term deposits plus (d) Intermediate deposit, plus (e) Long-term deposits=Rs. 1,657 only (not separately shown).

(ii) The Patuakhali Loan Office Ltd., year 1335, basis (mercantile)—

(a) Capital=Rs. 12,000.

(b) Reserve Fund=Rs. 3074 plus Rs. 373 Building fund.

(c) Short-term deposits=nil.

(d) & (e) (1 year to 5 years)=Rs. 27,170.

(iii) The Pirojpur Loan Co., Ltd., year 1928-29 (basis mercantile)—

(a) Capital=Rs. 20,000.

(b) Reserve Fund=Rs. 12,000 including reserve Rs. 3,000.

(c), (d) & (e) Rs. 30,782 fixed deposit.

Question 3. Rates of interest allowed on deposits—

(i) 9 per cent. three years in few banks, but discontinued now.

7½ per cent. for two years.

6 per cent. for one year.

4½ per cent. for six months.

3½ per cent. for three months.

3 per cent. for seven days, serves as a savings bank account. No interest on current account.

(ii) Usually two years, but some banks take deposits for three, four and five years even.

Question 4. (i) No fixed period of loans exists. It depends on the kind of bonds used. Short-term loans are rare. The minimum period for which interest charged is one month. Long-term loans exceeding three years are usually made on mortgage bonds, maximum period allowed is twelve years, but in fact this hardly exceeds six years. Most fruitful forms of investment are on hand note to good parties, period allowed is three years.

(ii) Compound interest is charged by many banks. The interest outstanding at the end of the Bengali year is added to capital invested and interest at the stipulated rate runs thenceforth on the gross sum so determined and so on.

(iii) No.

(iv) Met by my remarks on No. 1. So long as the position of the debtor is good and so long as he clears all interest due he is not troubled till the loan is mature, *i.e.*, before it becomes barred by limitation. In cases of good debtors loans may be renewed, but otherwise they are sued for the entire amount.

Question 5. The banks do not discriminate between agriculturists or others. Agriculturists also can get loans on good security or even on hand notes or simple bonds if they have good reputation and are known to be solvent. In granting loans the banks are not actuated by the purpose for which loans are taken. They look to their gains only. They exist for making most profits with the best possible security and therefore the position of the debtor is the all-important factor. The rates of interest charged vary according to the reputation and solvency of the party seeking loans. The maximum interest charged is, I understand, 18 per cent. and the minimum 9 per cent. The last for long periods of loans on good security. The shareholders and depositors are given loans at 9 per cent.=12 per cent. A good party, *e.g.*, Government officer may get loans at 12 per cent.

The banks in this district do not as a rule deal in "hundis" or "trade bills." I understand the Central Co-operative Bank and the Officers' Bank often negotiate them, but the business is not probably large.

Question 6. Usually not. A few undertakings resulted in loss.

Question 7. There is no fixed rule about any portion of profit that will go to reserve fund. If a bank requires a building, it will take a bigger percentage of profit to reserve fund. It all depends on the necessity for money, temperament of managing directors and shareholders. I find that the most solvent bank has small reserve, while some have no reserve at all.

(i) The investment of the reserve fund is not separately shown by many. Usually this is invested in cash certificates, Government promissory notes, war bonds and a part in deposit with other banks.

(ii) Rates of dividend allowed as below:—

	Years.				
	1331	1332	1333	1334	1335
	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
1. The Rindan Samity, Ltd. ..	12 8	12 8	15 10	18 12	20 5
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
2. The Barisal Loan Office, Ltd.	5	Nil	Nil	4	4
3. The Khairabad Loan Office, Ltd.	10	10	10	10	10
4. The Popular Loan Office, Ltd.	Nil	Nil	Nil	5	5
5. The Barisal Bank, Ltd. ..	Nothing.				
6. The Solak Loan Co., Ltd. ..	..	..	..	6½	6½
7. The Patuakhali Loan Office, Ltd.	Not available.			12	12
8. The Pirojpur Loan Co., Ltd. ..	..	8½	..	10	10
9. The Loan Association, Ltd., Bhola ..	..	Nil	Nil	Nil	Nil

Question 3. (i) Usually mercantile.

(ii) A uniform system of accountancy would have been useful for this department, but I think the banks' right of keeping accounts on any method should not be interfered with.

47.

Rai Bahadur Surendranarayan Sinha, Chairman, District Board, Murshidabad.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) The agriculturist obtains finance from co-operative banks, loan offices, mahajans and dealers in trade. The loans received from mahajans are often guaranteed by mortgage of ornaments and lands.

(b) From the sources alluded to in paragraph above and from the superior owner of lands (bhagidar).

(c) In failure of monsoon they seek loans from co-operative banks, loan offices, mahajans and obtain agricultural loans from the Government though not so adequate as it should have been. In cases of land revenue and rent, they sell off their lands and immoveables if they cannot otherwise procure the money necessary to meet the emergency. It is one of the most hopeless aspects of the life of the peasantry in Bengal, and the worst of it is that they court loans from the *Kabulis* on the most exorbitant rate of interest, which staggers one's imagination.

(ii) Rates of interest charged in this area range between 37½ per cent. and 12½ per cent. per annum, and the period allowed for repayment is generally three years, the favourable security being ornaments or lands. The custom of advancing money on the standing crops does not find favour with the lenders as much as the foregoing securities do.

The percentage of secured loan is 60 and unsecured loan is 40.

(iii) The part played by the Government and the Imperial Bank of India, in agricultural finance, is almost nothing save in times of failure of crops and distress by the former.

Co-operative banks play one of the most prominent parts in agricultural finance.

Indigenous banks and bankers' activities are substantial in this direction.

Professional money-lenders are backbone of the peasantry class with all their ruthless greed.

The last goes the joint-stock bank.

Merchants and dealers play no minor part in this respect by their advances to the agriculturists to obtain the concession rates.

Companies trading in fertilisers hold no place in this part of the country.

(iv) It is very difficult to give an estimate for the whole district or province, but as for the Lalbagh subdivision, roughly speaking, nearly half a crore is required.

(v) If the agriculturists get proper market through a corporate body formed for their interest, and advances are made to them prior to cultivation to save them from falling into the grip of the mahajans and brokers and middlemen are not given opportunity to entice the thriftless peasantry into their traps, and if they are properly educated by every possible means to look after their own interest against those who prey upon them at all suitable moments, the situation may be bettered. Above all, they should be made to know by extensive propaganda, that on the improvement of their land by modern process of manuring, depends their credit facilities. Indifference to clearing of rents in proper time is another defect on their part, which prevents them from securing adequate loans. Organisations like co-operative societies will be of immense good to them.

(vi) No. There is a little co-ordination between the Government and the co-operative banks.

Question 2. (i) The method of marketing crops in this area is that the agriculturists take their produces to the nearest centres for marketing, and bargain through the middlemen (dalals) with the merchants dealing in such crops.

He is unable to hold up his crop for a better price, for the reasons that in most cases he has previously taken advances and cannot, therefore, decline to sell to his mahajan, who in his turn makes large profits as he purchases at concession rates. Another point is that he is compelled to sell in that dull market to meet his family expenses, zemindars' and mahajans' dues, as he is over head and ears in debts throughout the year—which is partially due to his habit of extravagance in social and religious rites and ceremonies and blindness to his present conditions.

(ii) The possibilities of forming pools are great; the only thing required to attract the people to it is propaganda. A network of such pools throughout the length and breadth of the country will surely yield immensely towards the purpose, and when the agriculturists will understand that these organisations are for their benefit, they will, I am sure, collect in numbers around these pools to market their produces through them. Nothing short of co-operative efforts will be much appreciated by the people, as the co-operative activities in this part of the country are so extensive as will easily create a hopeful field for this purpose.

(iii) Yes, very recently started for jute-sale only in this district at Beldanga. It is connected with the Wholesale Jute Society in Calcutta.

There is a co-operative store in Berhampore affiliated to the Berhampore Central Co-operative Bank.

(iv) Almost nil. Issue of cheques, hundis, and demand drafts on the local banks in favour of the seller is required for facilitating trade in this part.

Co-operative banks are expected to play the required part to satisfaction. Maldah Silk Union is doing so with the local co-operative bank.

(v) (a) Banks, bankers, merchants and dealers purchase goods through hats, mokams, ganjas, only to unload them in any Calcutta firm, mostly European agencies dealing in export trade. National firms have no direct activity in this direction, they play the part of via media.

(vi) (b) Truly the producers do not get the full value of their product. The reason is that they are totally in the hands of the middlemen between merchants and producers, and the merchants control the market. The firms dealing in export dictate the rates and the merchants purchase accordingly.

(viii) Nothing worth mentioning. Insurance through post offices and hundis and cheques in a few cases.

(ix) It is necessary that branches of the Imperial Bank should be opened in each district, and receipt and payment be made by issue of cheques on all banks as widely as possible.

(xi) There are two classes of hundis in this part of the country, one is on presentation, another periodical, *i.e.*, the hundi is declared valid up to certain period by which time the hundi will be admitted for encashment.

(xv) In most cases the hundis are discounted in the local centres.

(xvii) The instruments used in this locality are railway receipts, intimation of postal insurance.

Question 3. (i) In the Rarh area—

Good paddy land (nakheraj) Rs. 450 per acre.

Good paddy land (mal) Rs. 300 per acre.

In the Baghri area—

Good land for rabi crop Rs. 75 per acre.

Good land for jute crop Rs. 90 per acre.

(ii) (a) The value of land at Government auction for revenue is higher than ordinary sale as the party does not bear anything for Kharij in the zemindars' serista but sometimes when the declaration for sale is unknown to the public, it takes less price.

(b) It is generally sold for the decretal amount.

(c) Refer to answer No. 3 (i).

Question 4. (ii) It is not yet appreciable, but sale and purchase are not going on as before.

(iii) To some extent.

(iv) No land mortgage bank in this district.

Question 5. (iv) The people in villages incur debts for all the purposes pointed out excepting manure, and for litigation purpose they incur debts in small amounts.

(v) Generally the debt is largely due to the indigenous bankers and professional money-lenders, and in some places to the zemindars.

(vi) It is difficult to arrive at a definite conclusion. But it can safely be said that the indebtedness of the agriculturists is increasing day by day.

(vii) To some extent, they are helped at the time of distress, famine and flood.

(viii) These Acts may be more prompt by publicity and propaganda by the circle officers and president panchayats of villages.

(ix) Kabulis are found in this country. Their business is extensive. The capital for the business (money-lending) is supplied to them by the mahajans of Peshwar at low rate of interest, but they handle the money at high rate of interest to the people, i.e., $12\frac{1}{2}$ per cent. to 100 per cent. per month. For the irrecoverable loan they do seldom go to the court, but they threaten the people and realise the whole amount. The police officers do not take any steps though they are informed by the oppressed. In any case, if they be loser they collect the money among themselves to make up the loss; but they do not lose the credit to the Peshwar mahajans. The people generally obtain the amount in an easy way. They do not execute any mortgage or stamped deed. It serves their purposes on an ordinary sheet of paper or in some cases on printed forms, hatchitha or hand-notes. Usury Act fails on them. Before paying the loan, they extort from the debtors a deed of double value with a promise of $12\frac{1}{2}$ per cent. per mensem. It has become a nuisance and source of hardship to the people.

(x) There are many concrete instances.

(xi) The Usurious Loans Act is effective in some cases in the court; hence the local mahajans get a bond executed in excess of the actual payment. The people execute such bonds without demur as they are in want and distress.

(xii) While changing the documents, the petty mahajans do, in many cases, add the accrued interest with the principal amount and get fresh documents for the total amount, which is exhibited as principal.

(xiii) The raiyats can get paddy loan by starting Dharmagolas in a union on co-operative lines. They will repay such loans in harvest times. But as regards seeds, the Agricultural Department may start branches in the villages for the purpose on the said basis.

(xiv) The prevalent rate of interest of paddy loan in kind in this locality is $1\frac{1}{2}$ times of the loan taken, i.e., $1\frac{1}{2}$ maund will be returned to the mahajans while they obtain 1 maund.

(xv) The usual rates of interest charged are as follows:—12 per cent., 15 per cent., 18 per cent., 24 per cent., 37 per cent., $56\frac{1}{2}$ per cent., 75 per cent. per annum.

Generally it is calculated monthly. The month in which the money is repaid is not counted.

(xvi) Yes, in large number (tenants, tenants-at-will and Bargadars).

(xvii) Not perceptible.

Question 6. (i) Rice-milling, dairy farming, cotton ginneries, sugar refineries do not exist in this subdivision. But handspinning is found in a very few houses. There is "gurh" making system on joutha (co-operation).

(ii) By preaching and propaganda in the villages, and making the farmers educated on this line. Besides that aid with funds is essentially necessary, as also market. So to encourage them, a Sale and Supply Society should be established in Calcutta, and agencies should be opened in villages on the co-operative line. Supply of raw materials will be necessary.

(iii) When the farmers are out of employ, some of them carry on business with crops on a small scale, and some devote their time in labour on daily charge to meet their livelihood. It may be useful to them if they be encouraged to spin threads from jute and cocoanut fibres, and to make canvasses, etc. Besides that, they have subsidiary business, i.e., the Muhammadans keep poultry on a small scale for their own use and sale.

(iv) Formation of small private companies or co-operative societies on share basis.

(v) It will be arranged by the private companies or co-operative societies.

Question 6A. (i) By forming a company and by allotment of share.

(ii) I can suggest one thing that the Government first should start an industrial firm with its own capital and after some years when it is prospering it should be handed over to the public, which will repay their capital by instalments. Such methods are being adopted in Mysore and in other Indian States.

Question 6B. (i) Day labourers take advances from their masters on condition by repayment of the same by labour; fishermen also take advance from the people on fish. Retail merchants take articles from the wholesale dealers on credit. Service-holders take advance from their office masters on pay and provident fund, and middle class gentlemen take loan from the local mahajans and co-operative banks and also from joint-stock banks.

(ii) They generally borrow for the purpose of meeting family expenses and for unexpected losses and for small business at the rate of $37\frac{1}{2}$ per cent. interest. For the secured loans, the rate of interest is at 24 per cent. and for unsecured loans at $37\frac{1}{2}$ per cent. generally.

(iii) Government does not help them. Co-operative banks help them who are members of a society. The joint-stock companies help them giving loans at 12 per cent. on a sufficient security, and the indigenous bankers give them loan on security of ornament at 12 per cent. generally. It is very difficult to suggest better financial facilities for them as there is no thrift among them.

(iv) The indebtedness among these classes is going on as usual.

Question 7. (i) Indigenous banks do not like co-operative banks, they preach against the co-operative societies. There are a few joint-stock banks in this district; they keep deposit in the co-operative societies. Regarding the Imperial Bank of India, it may be said that it does not help any co-operative societies, nor has it any bad motive against them.

(iii) For the Lalbagh subdivision, about one lac of rupees is required for financing the co-operative movement.

(iv) and (v) The Imperial Bank of India has no branches in this locality. Competition between joint-stock banks and co-operative banks is not yet noticeable, but to some extent, I feel that the Jangipore Central Bank has tendency to compete with this Lalbagh Central Bank. They accept in some places deposits at higher rate of interest. It wishes to take more credit preaching the unfounded allegations against this Central Bank.

(vi) It is desirable to stimulate the growth of the co-operative movement by—

- (i) reduction of fees on money-order,
- (ii) giving greater advantages in the sub-registry office, and
- (iii) allowing cash credit between the societies by cheque system.

Question 7 A. (i) My suggestion is that no loan should be granted to individual members; but in the case of depositors, they may be given loans to certain percentage of their deposits.

(ii) I am not in favour of free inter-lending of funds between co-operative societies and joint-stock banks.

Question 7 B. (i) Since the establishment of co-operative societies, rates of interest on secured and unsecured loan seem to have been reduced by the local mahajans. The people have got tendency to join the societies for cheaply obtainable credit. It is being noticed that in some places members have tendency to keep deposits saving some thing from their daily expenses. They are on the way to learn thrift.

(ii) It has not yet been able to replace the professional money-lenders in this locality.

(iii) The factors that operate against the rapid spread of co-operative banks are as follow:—

(a) Whenever a society is proposed to be started in a village, the local mahajans preach against it.

(b) Want of literate members.

(c) Some zemindars who have money-lending business are against the movement. Except very few, the others are very indifferent to it.

(d) There is no provision in the Co-operative Act to realise money from a defaulting member easily.

Part II.—Indigenous Banking.

Question 2. The credit given by the indigenous banks and bankers greatly assists agriculturists, trade and industry.

Question 4. Hundis are of two kinds, viz., on presentation and periodical, i.e., hundis valid up to a certain period.

Hatchitha, hand-note, promissory note, etc., are other credit instruments.

Question 5. (i) Different banks frame different rules according to their convenience, for their guidance. The private persons have no rule, but they allow sufficient margin against losses apprehended.

in future in cases of strained realisation from the debtors, so that the interest and the principal advanced may not fall short of the minimum value of moveable or immoveable property taken on mortgage in guarantee of their credit.

(ii) By receiving deposits in addition to their own capital.

(iii) The rates of interest on deposits are as follows:—4½ per cent. to 7½ per cent. per annum.

(iv) The indigenous banks do not get sufficient facilities in rediscounting hundis in mufassal towns.

Question 6. (i) Interest is paid in coin and not in kind.

(ii) By establishing more co-operative societies on sound basis.

(iii) It is apparently seen that the reduction of rates will confer great benefit on them, and increase their resources. There will be an improvement in the standard of living, or they will be able to spend more on agricultural improvement, and better their agricultural implements, but I am afraid they will incur indebtedness heavily—they would have tendency to borrow more—they will not try to repay loans as low rate of interest might tend them to take less care of the loan hanging on them.

Question 7. (ii) Not well protected.

Question 8. (iii) Yes. As the realisation through the civil procedure takes abnormally long time, it would be of great facility if the procedure could be shortened and expeditious.

(iv) They are sure to resent any introduction of measures calculated to stand in any way to their interests.

Question 9. To give an idea of the net return is difficult inasmuch as the losses and the management expenses do greatly vary each year, according as the clients are honest and punctual in their dealings. But on the whole, it would not be far from truth, if I say that such banks are not usually run on loss.

Question 10. They cannot accommodate all the demands.

Question 11. (ii) It is desirable to have a central organisation in a district connected with provincial central organisation.

Question 12. (i) There are very very few cases of indigenous bankers who have money unemployed.

(ii) A large amount of money is flowing to the provincial capital for various reasons, viz., for safety, to avoid botheration, etc.

(iii) These funds instead of flowing into the provincial banks, may find remunerative employment in the districts either on development of co-operative societies on sound basis or the Government take guarantee for the same.

Part III.—Investment habit and attraction of capital.

Question 1. (i) Co-operative banks, joint-stock banks, indigenous banks with their share capital, deposits and reserve funds, etc.

(iii) Postal Savings Banks, and Co-operative Banks are in existence for encouraging savings, insurances and home-safe boxes, and

provident funds, etc., and purchasing shares, debentures of flourishing corporate bodies.

Besides these, there are cash certificates, Government papers, etc.

(iv) Yes.

(v) By propaganda, and educating the people in the habit of thrift. Frequent liquidation of banks and other companies and protection under immoral insolvency by individuals are the drawbacks for the investment of the savings of the public.

(vi) Some people in India are in the habit of investing in silver and gold, generally the female class prefers this.

Question 2. (i) Not popular.

(ii) Yes.

(iii) The savings banks afford facilities to the people of towns and where there are savings banks in interior, but the mufassal people do not get any such facilities for want of it.

(iv) Middle classes, widows, school masters and public funds, viz., school funds, provident fund, municipal employees' fund, etc.

Question 3. (i) No. I am not in favour.

(ii) The financial agencies have agents for selling and purchasing securities on commission.

(iii) They at once pay to the zeminders to clear up the debts and rents respectively.

(iv) No. In a prosperous year the surplus money is spent in clearing up the old debts and rents.

Question 4. (i) Not appreciable.

(ii) The abolition of stamp duty on cheque has made a good effect.

(iii) There is a little cheque system in the locality. The rich have connection with the banks.

(iv) No harm, if the vernacular scripts are introduced.

Question 5. (i) Yes.

(iii) Propaganda works.

(iv) Though the branches of the Imperial Bank of India are not in this district, I know from the other province that they are working well producing good result.

48.

Mr. Brajendra Mohan Maitra, Vice-Chairman, District Board, Rajshahi.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturists obtain their finances by loan for all their various needs mentioned in (a), (b) and (c). The value of the crops raised by them is barely sufficient to meet the cost of living.

(ii) Loans are usually taken from usurious money-lenders who charge interest at Rs. 20 to Rs. 75 per cent. per annum. Loans are generally taken towards the close of the Bengali year and paid up in the middle

of the year following after the autumnal crops are harvested and sold. Compound interest is sometimes charged. In most cases of loans of small sums to the agricultural people no security besides an unregistered *Tamasuk* is taken and the percentage of secured loans in our part of the country cannot in my opinion exceed 5 per cent.

(iii) In our part of the country there have cropped up in recent years a few co-operative loan societies here and there, under three central co-operative banks at Sadar and the subdivisional headquarters at Nator and Naogaon and one at Puthia, a considerable village having a central position in the district, but these co-operative societies have touched only the fringe of the huge financial needs of the agricultural people. There are a few indigenous banks at the district and subdivisional headquarters but they deal generally with people who can afford substantial security. It is the professional money-lenders of the old type who hold the field as regards agricultural loans.

(iv) With the exception of a few substantial people the agricultural population of this district—nearly 80 per cent. of them—are in a state of chronic indebtedness. A large capital is necessary to finance them.

(v) The present system of raising loans from unscrupulous money-lenders results in the ruin of the people, who charge high rate of interest and from whose clutches the people cannot entirely get away. The cure lies in the establishment of more co-operative loan societies and eradicating if possible the habit of improvidence by propaganda and spreading of education.

(vi) Co-ordination among the various indigenous private dealers and the co-operative credit societies is not an impossibility. At present no such co-ordination exists.

Question 2. (i) Jute and aus paddy are harvested and made ready for the market during the second quarter of the year generally a short while before the pujahs when the raiyat has got to pay up the landlords' demand for his mahajan and has also to meet other liabilities. He is, therefore, forced by stress of circumstances to put his crops in the market as soon as they are ready for sale.

(ii) Co-operative efforts in the direction of pooling the crops may be successful only if sufficient funds are forthcoming to make advances to the raiyats to enable them to meet their immediate needs.

(iii) A jute sale society has recently been started in our part of the district on co-operative basis under the auspices of the Government Co-operative Department. The capital is expected to be derived from sale of shares, supplemented by loan or cash credit from the Provincial Bank. The object of this society is to buy directly from the growers and sell directly to the mills so as to cut down the number of middlemen who defraud the hard worked raiyats of a substantial part of their just dues. It is proposed to allow the growers (sellers) of jute some share out of the profit. Shares are not selling quickly as the raiyats want quick return for their money and have no heart for an enterprise which cannot assure them of a handsome dividend from the first year of its start as private loan companies usually do.

(iv) In our parts of the country speculators stand in the way of our raiyats getting full price for their crops. This specially happens in regard to jute which changes hands several times before it reaches the manufacturer and a part of the growers' dues goes into the middlemen's

pocket at every such operation. The remedy to my mind seems to be to start co-operative jute sale societies and to stop speculation in jute by legislation as far as practicable.

Question 3. (i) In this district the price of land varies from Rs. 50 to Rs. 500 according to climatic condition of the part of the district where land is situated—for instance land in the northern and western part of the district as also on the densely populated southern fringe along the bank of the river Pudda fetches a comparatively higher prices than the land in the interior of the district where the population has been thinned by malaria and other diseases.

(ii) The health of the locality, the number of people inhabiting it and the fertility of the soil consequent upon the existence of an efficient system of drainage are factors which regulate the value of lands.

(a), (b) and (c). Some difference must necessarily exist in land value under these three forms of transfer of land from one hand to another, but since the passing of the amended Bengal Tenancy Act, they are showing a remarkable tendency towards equation.

Question 4. (i) No legal impediment since passing of the above Act.

(ii) The passing of the amended Bengal Tenancy Act has to some extent improved the credit of the agriculturists.

(iii) In our part of the country fragmentary holdings do not appear to stand in the way of the establishment of long term credit. In fact the value of such holdings is in some cases higher than that of large holdings.

(iv) A few co-operative credit societies have been established to finance agricultural people which grant both short and long term loans. The rate of interest being somewhat higher in the latter case.

(v) These societies obtain their capital from co-operative central banks and these latter from deposits and cash credit from Government.

49.

Rai Bahadur Umesh Chandra Chakladar, Vice-Chairman, District Board, Mymensingh.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) If the required amounts are small or moderate—from money-lending gentlemen or landholders of the village or from professional money-lenders mostly on handnote or bond without security. Security is indispensable if party is poor or less known or has no large holdings or assets. Hypothecation of lands, jewellery, etc., is necessary in some places. Interest ranges from half anna to one anna per month per rupee. This is the case where finance is obtained from inhabitants of the same village.

Interest is a bit higher—up to two annas per month per rupee when professional money-lenders have to be approached.

When no advance is available from a neighbour or any gentleman of the same village or of a neighbouring village, agriculturists have to resort to the Co-operative Society, if any, or the nearest bank or loan office. In the latter cases loans are obtained by mortgage; personal

securities are also required. Interest for 3 months has to be paid in advance. Interest varies from twelve per cent to twenty-four per cent. It is not possible for any and every raiyat to obtain finance in this way; there are great difficulties.

(b) The system is almost as above. Finance is rarely available: Interest is higher—as the accommodation required involves a comparatively big sum, which, again, is required for a fairly long period.

(c) Finance for special needs can be obtained only with great difficulty. According to the exigencies of the borrower, higher rates of interest are generally demanded.

Failure of monsoon.—In times of such need the agriculturist has to depend on the same system as described above. Credit is invariably dear in every quarter. Agriculturists are in great distress and cannot have any relief unless the landholders extend their helping hand, which they do on rare occasions. It is not infrequently the case that help from Government is also found necessary.

Rent.—For payment of rent the raiyats generally apply in the first instance to the landlord. The amount representing the rent or arrears of rent due is deducted from the total amount of the loan and the balance is paid to the borrower. Interest has to be paid at the usual or current rate; sometimes at a higher rate imposed by the lender.

(ii) Rate of interest in this district varies from nine or twelve per cent. (which is very rarely to be met with) to as high as sixty to seventy-five per cent. The variation is due to the urgency of the needs, dearth or availability of liquid money in the locality, good-standing or unfavourable circumstances of the borrower (the degree of the risk involved in the transaction), co-operation or help from village headmen or other influential persons.

There is generally no particular stipulation as regards the time of repayment. A period, say, three months or six months is generally mentioned in the deed, which only indicates that the money is not to be repaid before that period. Of course, the restrictions imposed by the law of limitation apply.

Securities are standing crops, ornaments, lands, homestead, other moveables whether by hypothecation or mortgage. In some cases mere personal securities do, whereas in other cases personal securities are required in addition to those mentioned above.

There are instances of a good deal of advances of small amounts for very short periods which are made without any legal deed or formalities. An amount, say, Rs. 5 is advanced on one market day on condition that (say) Rs. 8 or Rs. 10 are to be repaid on the next market day or on the one next after that. In some places amounts, e.g., Rs. 2, Rs. 5, Rs. 10 and so on are advanced at a rate of interest varying from half anna to two annas per diem per rupee. Such loans are to be repaid within a week or a fortnight, interest being payable every day or on very hat (market) day.

Loans are obtained in some places on the condition although not in writing—that the crop produced will have to be sold to the lender. In some localities interest is payable in kind, say, by giving 30 or 40 maunds of paddy every year until the debt is redeemed.

All advances from banks or loan offices require securities. Advances above small amounts or for a fairly long period from private money-lenders also require securities.

In my estimate about 70 per cent will be secured and 30 per cent. unsecured loans.

(v) The defects of the present system are inherent in two factors, viz., (1) illiteracy of the people, which stands in their way of taking a course of action beneficial to themselves, and (2) crude form of credit, which presses heavily on the agriculturists. The private money-lenders often combine trading with their money-lending business. The exorbitant rate of interest increases the cost of production of agricultural products, and reduces the purchasing power of the agriculturist.

Remedies.—Establishment of separate institutions for provision of agricultural finance and that on co-operative basis. This will educate the agriculturist in thrift and relieve them of indebtedness.

(vi) I am not of opinion that there is co-ordination among the various credit agencies. There should be regular control of the primary credit societies by central co-operative societies. There should be a uniform procedure for conduct of business and a stronger system of audit. At the head of the primary societies and central banks there should be in each province a provincial bank which should have an effective control over the entire organisation below. All the provincial banks should again be linked together under the guidance of a central all-India organisation for dealing with agricultural credit. The bank of issue should be bound by statute to help the co-operative banks, in any possible way, when occasion demands.

Question 3. (i) Land in which paddy or jute can be grown fetches the highest value, which depends on the number, kind and quality of crops yielded and ranges from Rs. 400 or lower to Rs. 3,600 per acre, or even higher in some places according to the natural advantages and situation.

(ii) The factors which affect such value are number, quantity and quality of crops yielded, land which yields two or more crops having greater value. Situation, natural advantages, means of communication, etc., also play an important part.

(a) Value of land in Government auction is generally the lowest because it is often the case that the public keep themselves very poorly informed of such sales.

(b) In the event of sale by Court decree it is often found that the value goes a little higher because of rivalry of two parties—the decree-holder and the judgment-debtor.

(c) Value of lands is the highest in purchase by private negotiations.

Question 4. (iv) There are no such institutions for the provision of long-term credit in the true sense of the term.

(v) Separate institutions called co-operative land mortgage banks, should be established in each district with a central organisation (say Provincial Land Mortgage Bank) to raise long-term funds by issuing debentures on the collective guarantee of or floating charge on all the mortgages. All the provincial land mortgage banks (the central organisations) should be co-ordinated under an all-India controlling organisation such as an Agricultural Credit Board. Provision may also be made

for commercial land mortgage banks, registered under the Indian Companies Act to cope with the demand.

(vii) Working capital should be largely derived from debenture bonds. Term deposits and funds from central institutions should not form a very large portion of the working capital.

(ix) Debenture bonds should carry Government guarantee both for principal and interest at least for the first five or ten years, and for some years more thereafter only for the interest.

(xii) Yes, they should be included in the list of trustee securities.

(xiii) As stated before, provision may be made for commercial land mortgage banks, registered under the Indian Companies Act, co-operative credit societies may also have, if necessary, a separate department for providing such credit.

Part III.—Investment Habit and Attraction of Capital.

Question 2. Generally, salaried educated gentlemen of the middle class take to this form of investment.

It is expected that sufficient publicity, particularly in the interior, will popularise cash certificates. Cash certificates of smaller denominations may, if there be sufficient publicity, be popular among villagers and agriculturists. An issue of a still smaller denomination of Rs. 5 may be tried. Sale by licensed or authorised sellers on commission may do a great deal.

(ii) No, I do not think.

(iii) No.

(iv) Mostly educated salaried gentlemen of the middle classes resort to the Post Office Savings Bank. There are also non-interest-bearing accounts for orthodox Muhammadans.

(v) Provision should be made to attract the merchants on the one hand, and on the other the agriculturists and the villagers in the interior where there are no banking facilities for the people—nor is there any possibility of there being such facilities in the near future.

I think a little propaganda and removal of the existing disadvantages and inconveniences will attract other classes. The disadvantages are:—

Rigour of rules, specially regarding specimen signature, etc., and fear of consequent harassment by postal officials, fear of fraud by other members of the public or by postal officials, and of loss of Pass Books at the time of transaction in the Post Offices, apprehended difficulty of realising the balance by the successor or heir in case of death of the depositor, distance of Post Offices from the village and want of such facilities in the nearest Post Office and so on.

(vi) No, I do not think there is any reason to believe that the Government are competing with the banking institutions in regard to Post Office Savings Bank and cash certificates.

50.

Mr. Debendranath Chakravarty, B.L., Chairman, Sadar Local Board, Howrah.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) to (c). The agriculturists obtain finance by borrowing money for expenses of cultivation, payment of land revenue and rent, as also in the event of the failure of monsoon, from the money-lenders living in the village or vicinity. For small amounts the money-lenders take hat-chitta or hand-notes, and where the borrower can prove his credit even a hand-note is not taken. But where the borrower is lacking in credit, registered bond is taken; and where the amounts are considerably large or the money-lender is very cautious, lands are required to be mortgaged or ornaments pawned.

The agriculturists do not obtain finance, as they have neither organisation nor funds for capital and permanent improvements.

(ii) The rates of interest vary from 12 to 37½ per cent in general, according to the locality, parties concerned and the needs of the borrowers, etc. But in very limited cases higher rates of interest are charged by the money-lenders. Small amounts are borrowed generally for 3 to 6 months and paid off after the next harvest season, i.e., of paddy or jute. The money-lenders generally lend money on the strength of hand-notes, bonds, etc. Standing crops are not given as security, but the usual understanding is that the loan will be cleared after the crops are harvested and sold.

Secured loans are approximately 90 per cent.

Unsecured loans are 10 per cent.

(iii) There is no organisation here to finance the agriculturists on behalf of the Imperial Bank of India and the joint stock banks. No indigenous banks or bankers exist here, and the co-operative banks are rather few. The professional money-lenders are the only source for financing the agriculturists. Merchants and dealers play a very small part in it. The cultivators approach the Government for agricultural loans only in time of a serious calamity, i.e., when crops fail for flood or drought.

(iv) In rough estimate, Rs. 10 lakhs may be taken as the total amount of capital required for various purposes in the Sadar subdivision of the Howrah district.

(v) The co-operative spirit among the agriculturists to help one another in agricultural operations and growing harvest has died long ago. There is no co-operative organisation worth the name. Illiteracy prevails supreme in the villages, and there is no field for the agriculturists to learn co-operative principles. The result is that whenever money is wanted, the cultivators are to run to the money-lenders most of whom are unscrupulous.

Spread of mass education and formation of co-operative credit societies almost in each village are required if the condition of the agriculturists is to be improved.

(vi) It has been observed that there are very few co-operative credit societies and there are no other credit agencies in the subdivision.

except the money-lenders. There is no co-ordination amongst the money-lenders.

Money-lenders are found almost in every village, each having certain borrowers in his fold who have little chance of escaping from his clutches. The money-lenders are always anxious for a high rate of interest and have no concern for the needs and helplessness of the borrowers. The situation can only be improved if the money-lenders can be induced to work collectively by forming loan banks.

Question 2.—(i) The principal crops of this subdivision, viz., rice, potato, jute, etc., are taken by the raiyats to the local hât or bazar for sale. Jute and paddy are generally sold at the doors of the cultivators to the traders who take them to the nearest arat for sale by means of cart or boat. Big merchants purchase the crops from the aratdars and the aratdars or big dealers also in many cases take the crops themselves from the cultivators to distant places outside the subdivision by train or boat.

The majority of the raiyats are unable to hold up their crops for better price on account of maintaining their families, payment of land revenue and rent and repayment of loans, etc. The appearance of dealers at the doors of the raiyats with cash is no less tempting to them to sell the crops.

(ii) If proper attempts are made, there is every possibility of co-operative efforts in marketing produce, but no attempts have hitherto been made in that direction.

(iii) No.

(iv) Formation of co-operative sale societies will prove very useful in this part of the district. No such facilities exist here at present.

(v) (a) The financing of the export trade is done only by merchants and dealers. They purchase produce from the raiyats either at their doors or in bazars, and send the same to Calcutta or other centres for sale by means of train, cart or boat.

(v) (b) Principally cloths and articles of daily necessity are imported in hâts or bazars by merchants for use of the consumers in the villages. The shopkeepers generally purchase those things such as sugar, oil, cloths, etc., from Calcutta and carry them to the distributing centres by train, boat or cart. The consumers purchase the articles from the shopkeepers.

(vi) (a) Merchants and dealers, as well as many shop-keepers who carry on the import and export trade with their own funds, do not experience any difficulty in financing. Petty shopkeepers who have credit purchase from big dealers pay up according to their contracts. Others take loans from the money-lenders for financing their trade.

(vi) (a) It is true that the growers of produce in India do not get the full value of their produce, on account of the reasons given in the suggestion, as for example the jute trade in Bengal. The raiyats cannot hold on in order to meet their urgent pressing necessities, and also due to the fact that they have no organisation to help them to secure a better price. If co-operative sale societies are established with sufficient funds, and if these societies keep information as to the prices in foreign markets, a better return to the producers might be assured. The sale societies should pay a certain price to the growers at the time the produce is handed over to a society, and the remaining

price should be paid by the society after disposing of the produce at the highest price.

(vii) It seems that the position of monopoly that the buyer enjoys, especially in jute, has something to do with the matter.

(viii) Postal money-orders and postal insurance, besides sending money by agents, are the existing facilities for internal remittance.

(ix) In sending money by postal money-orders and insurance and also by agents, waste of time is experienced in many cases. If co-operative banking succeeds sufficiently well, the cheque system might be adopted as an improvement.

(x) to (xx) do not quite apply to this area.

Question 3.—(i) Rupees 300 to Rs. 1,500 per acre.

(ii) The factors are given below:—

- (1) Rent-paying or rent-free lands.
- (2) Lands yielding one or more crops.
- (3) Fertility of land.
- (4) Risks or otherwise of inundation or drought.
- (5) Proximity to railways, navigable rivers or khals.
- (6) Proximity to suburban or mill areas.

(a) The value of land depends on the extent of publicity given and the degree of local influence the intending bidders have on the likely bidders.

(b) Ditto.

(c) Proper value is noticeable in case of private sale, but even in some private negotiations it is ruled by the necessity and also the means of the seller and the buyer.

Question 4.—(i) Usufructuary mortgage is suffering from certain legal impediments by the amended Bengal Tenancy Act. But generally the raiyats do not find any difficulty in mortgaging their lands whenever necessary.

(ii) Occupancy holding has become transferable under the Bengal Tenancy Act and this has increased the credit of the agriculturists.

(iii) As a general rule, the tenants of Bengal do not appreciate the inconvenience for fragmentation of holdings. If long term credit institutions are established, it is not likely to stand very much in the way.

(iv) No. There are some (rather few) co-operative credit societies in this area.

(v) The method of work and raising capital is in common with similar societies elsewhere.

(vi) Long term credit societies on a co-operative basis should be established on a large scale. Bengal should be honeycombed with co-operative credit societies if the condition of the agriculturist is to be improved to some extent.

(vii) (a) The record-of-rights, after it is finally published, has a presumptive value of correctness. It cannot avoid disputes. It may be avoided if legislation is so made as to give finality to the record-of-rights.

(vii) (b) No action seems necessary, because if mortgage banks can foreclose in the event of non-payment merely, the interests of the borrowers will suffer, because there may be cases where non-payment is not intentional.

(vii) (c) Where the record-of-rights has been prepared, a true copy of the same should be filed by the loanee with his application for loan for ready reference.

(viii) Improved type of co-operative credit societies, with powers to give long term loans, is recommended in place of mortgage banks, if the latter is not on co-operative basis.

Both the co-operative credit societies and mortgage banks may derive their capital from (a) deposits, (b) funds from central institutions, and (c) debenture bonds.

(ix) and (x) Not necessary.

(xi) The agricultural mortgage banks should raise money at an interest of 6 per cent. per annum and lend at an interest of 9 per cent. per annum.

(xii) and (xiii) Answered under (viii) above.

Question 5.—Not very necessary. The societies concerned will look into each case, and the officers concerned will look into the matter before a society is registered.

(i) No.

(ii) By local enquiry, in case applications are received of co-operative credit societies, or during propaganda works for the establishment of such societies.

(iii) (a) May be ascertained from enquiries from the registry offices concerned; (b) by enquiries from the local money-lenders by means of issuing notices.

(iv) (a) to (i) These are common purposes here for which the borrowers take loans from the money-lenders, and still there are some other purposes for which loans are taken.

(v) Professional money-lenders.

(vi) Increasing.

(vii) Almost nil.

(viii) More allotments and prompt action in making enquiries when loans are asked for are required.

(ix) Kabulis are becoming rarer in the villages. Nowadays they are dealing with the money-lending business only in towns and mill areas.

(x) No.

(xi) Not known.

(xii) Not known.

(xiii) There is a tendency to do so.

(xiv) Paddy golas on co-operative lines may be established for giving loan to the raiyats.

(xv) From 25 per cent. to 50 per cent.

(xvi) Rates of interest on cash advances are generally 12 to 37½ per cent. per annum. In case of failure within the time fixed, compound

interest is charged, and if repayment is not made in due time, payment is enforced by suits.

(xvii) Yes; a fair number, if not large.

(xviii) Yes, naturally.

Question 6.—(i) Rice-milling, Gur-making, horticulture, weaving, embroidery, hooka-manufacturing, brass lock-manufacturing, etc.

(ii) Industrial co-operative societies might be started for financing these industries as well as for sending the articles, such as locks, etc., abroad for securing higher price.

(iii) Coir-making, spinning and sericulture may be taken as cottage industries to engage the cultivators in off-season.

(iv) Co-operative credit societies.

(v) Co-operative banks.

Question 6A.—(i) Not available.

(ii) No.

Question 6B.—(i) Landless people undergo great difficulties in securing loans. They are compelled to mortgage their homesteads, etc., and pawn ornaments.

(ii) Marriages of daughters generally and sons in some cases, sraddh ceremonies, educational expenses, medical expenses and also household expenses; vary from 12 per cent. to 37½ per cent.

(iii) Government, co-operative societies, joint stock companies and bankers are not giving them help in any way at present. Money-lenders are their only friends.

Cottage industries may be introduced under co-operative basis amongst them for giving them better financial facilities.

(iv) Indebtedness is on the increase.

Question 7.—(i) No relation exists.

(iii) No definite estimate can at present be given. It can be ascertained at the time of propaganda for introducing the co-operative movement on an extensive scale.

(iv) and (v) No competition.

(vi) Financial concessions will stimulate the growth of the co-operative societies.

Question 7A.—(i) It is desirable that co-operative central banks should grant loans to individual members and depositors through the rural societies.

(ii) Yes.

(iii) Yes, if possible.

(iv) There are no joint stock banks and loan offices under the jurisdiction of this Board. The existing co-operative credit societies which are very few, have no connection with one another.

Question 7B.—(i) It has a tendency to lower the rate of interest, but there is no marked change in this part of the district, as there are very few societies here. Attention of the Co-operative Department seems necessary.

(ii) Very little result has yet been achieved in replacing professional money-lenders, as the number of co-operative credit societies is small.

(iii) Lack of mutual confidence among the members of the societies and the headway of the money-lenders. But no serious attempts have been made for spread of co-operative societies in the rural area of the Sadar subdivision of the Howrah district.

51.

Mr. Rajendra Nath Malakar, Pleader and Vice-Chairman, Bagerhat Local Board, Bagerhat (Khulna).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) From co-operative societies, by hand-notes and from the mufassal creditors by simple bonds.

(b) No system is in vogue for raising loans for permanent improvement.

(c) The cultivators take loan by mortgaging and transferring their lands for land revenue and rent, etc.

(ii) The rate of interest varies from Rs. 25 to Rs. 75 per cent. Period for taking loan is generally one year. Landed property is generally given and accepted as security. My estimate is that secured and unsecured loans are half and half in our part of the country.

(iii) The co-operative banks only have made a little attempt to protect the agriculturists from the grasp of the money-lenders. Many acres of land have fallen fallow for want of fertility and nothing is done for their improvements from any authority.

(iv) Three crores of rupees are required in district.

(v) The money-lenders are ruining the cultivators. The co-operative system does not allow any loan on individual capacity. The remedy I suggest is that the Government should issue loan at a lower rate of interest on individual capacity.

(vi) No co-ordination.

Question 2. (i) The principal crops on being harvested are kept in the granary of the owner and the dealers purchase it when necessary from them. If the dealers do not go to purchase it just after the harvest, the owners sell it by carrying small quantities of it to the hat on every hat day, twice a week. One among thousand may hold up his crops for better prices, the rest cannot do so due to poverty.

(ii) If the cultivators be educated and their pecuniary condition be improved.

(iii) No.

(vi) (b) The suggestion is a naked truth. As the cultivators in this district are very poor, they can neither export their products nor hold up for a better price, and hence they are compelled to sell on low prices to the local dealers. If the co-operative sale societies be improved in our district, the cultivators may get a better price for their products.

Question 3. (i) Lands producing jute and paddy are sold at Rs. 600 per acre.

(ii) (b) Generally Rs. 300 per acre.

(c) Generally Rs. 600 per acre.

Question 4. (i) and (vi) Yes, the abolition of the system of usufructuary mortgage and shortening the period of complete usufructuary mortgage and the introduction of high landlord's fees for transfer of occupancy right and non-transferability of under-raiyat holding are the impediments to mortgage of lands and agricultural holding in our province.

(iv) There is only co-operative bank for long-term credit.

(v) It raises its funds by paid-up share capital and loan from Provincial Bank and from deposits of the local people.

Question 5. (ii) Through the help of the presidents of the unions.

(iii) The amount of debt under (a) is greater than that of under (b).

(iv) Debts are incurred for the following purposes:—

(a) Repayment of earlier debt.

(b) Marriage and other social occasion.

(c) Litigation.

(d) Famine and other kinds of distress.

(e) Growth of debt by compound interest and interest not having been paid up.

(f) Cattle and seed.

(v) The debt is due mostly to professional money-lenders.

(vi) Agricultural indebtedness in our locality is increasing.

(vii) No need is met at present by the Land Improvement Loans Act of 1883 and the Agriculturists' Loans Act of 1884.

(ix) Kabulis are sometimes found to grant loans to the agriculturists at a very high rate of interest at some parts of our country and they frequently sell cloths on credit amongst the cultivators at double prices.

(xii) No.

(xiv) Loan by the Government through the union boards and panchayati union on a low rate of interest.

(xv) Half and sometimes equal to principal paddy per year.

Question 6. (i) In our part of the country the farmers make "gur" in winter seasons, sometimes they produce chillies, brinjals, gourds, arums, sugarcane, etc., in their lands and gardens and sell in markets.

Question 6B. (i) They get small amount of money on simple bonds both registered and unregistered.

(ii) For marriages and for household purposes specially for food and clothing. Rate of interest is very heavy to the extent of Rs. 25 to Rs. 50 per cent. per annum.

(iv) Generally increasing.

Question 7. (iv) No competition.

Question 7A. (i) Yes.

(ii) Yes.

Question 7B. (i) The effect is good.

(iii) Want of education.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) At our district headquarters in Khulna there is a big private loan office.

(b) So also at the subdivisional headquarters of Bagerhat there is a loan office in a dying condition and also a Union Bank.

Question 5. (iii) In granting private loans sometimes interests are deducted in advance.

(iv) Yes, *washils* are given to save the document from limitation.

Question 12. Yes, lending to unfit persons and relatives of the authorities and by treachery.

Part III.—Investment Habit and Attraction of Capital.

Question 2. (i) Yes, to a certain extent it is popular in our province. Its popularity may be increased by explaining its utility and its certainty of repayment to the uneducated private money-lenders and middle class people.

(iv) Generally the educated public resort to it.

(v) Its necessity, steadiness and stability should be explained to other classes.

Question 3. (iii) They are in the habit of purchasing lands, making investments and of foolishly wasting it lavishly for marriage, *sradh* ceremony and for other religious purposes—without any consideration for their future. They keep it in boxes, underneath the ground and sometimes with their rich friends.

(iv) Yes, they lend at variable terms. In a prosperous year they invest surplus money in ordinary way.

52.

**Mr. Siddheswar Banerjee, Chairman, Local Board, Barrackpore,
24-Parganas.**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) The majority of the agriculturists, who are cultivators themselves, obtain finance for their expenses during cultivation from mahajans who advance money at a high rate of interest ranging from 37 to 75 per cent. per month, sometimes more. In some villages co-operative banks have been started and those cultivators who happen to be the members of the banks get advance from these banks at 12 per cent. to 18 per cent. per annum.

(b) The invariable practice among the people except in cases of a few who can afford to indulge in extravagant luxuries is that they do not run into debts by paying heavy interest for these items, viz., capital and permanent improvement.

In exceptional cases those agriculturists who do not entirely depend upon agriculture only for their existence approach authorities to get advances at a comparatively low rate of interest from District Board or Government by agreeing to repay in 4 or 5 annual instalments as for instance to dig tanks, &c.

Arrangements are also made by Government for irrigation and costs are recovered from the agriculturists through the zamindar during each kist.

(c) Invariably in cases of failure of monsoon, for land revenue, and for rent, petty landlords and cultivators borrow money from mahajans to meet the exigencies often at a high rate of interest. Sometimes they put off rent by paying illegal gratification to *gomastas* or collecting agents or they enter into an understanding with them that the *gomastas* will meet the rent from their pocket but will realise them afterwards from the cultivators with interest at 74 per cent. in the rupee for the period the amount is left unrealised which in no cases exceed six months from Aswin to Chaitra.

The petty landlords sometimes during the time of kists take advance from these *gomastas* or collecting agents who in return are allowed to realise interest at the above rate from the cultivating tenants. Sometimes they take loan to pay the revenue but when they realise rent they spend it to meet their other pressing needs with the result that these loans go on swelling with interest when one day they find that they are quite unable to meet the revenue or the rent of the superior landlord and their properties are sold for mere arrears of rent or revenue as the case may be. The price at these court sales in most cases do not exceed the amount decreed.

(ii) The rate of interest is 37 per cent. per annum. In some cases they have to pay such high interest as 75 per cent. per annum and the creditors generally take landed properties as security. In our subdivision charge on standing crops are almost unknown, but sometimes arrangements are made by which the parties agree to pay the loan as soon as the crops are ripe, and the creditors fall upon them no sooner the paddy and jute are ready for market and they take these crops when it sells at the lowest rate, but even then they will not pay the proper market price. In some villages these men become prey to *Kabuli money-lenders* and *kistiwalas*, who extort high rate of interest from these poor men. For fear of oppression they always pay off their principal with stipulated interest, instead of taking help of the Usurious Loans Act.

Nowadays want is so pressing among these people that they fail to keep their appointed time of payment or to pay off the loan out of Court, so the creditors in most cases take recourse to Court for realisation of their rent. In cases of unsecured loans they find that there is nothing left to these debtors wherefrom they can realise their decretal amount. So now the creditors insist upon having some security from the debtors before they advance any money. Thus the percentage of unsecured loans have fallen much in comparison with secured loans.

(iii) The Imperial Bank, Joint Stock Banks, the Indigenous Banks (these banks are not to be found in rural areas and I think, in mufassal) play no part in financing the agriculturists directly or indirectly. Government, I have already mentioned, sometimes advance money for bunds, canals, etc. Government also in time of famine or floods come to the rescue of these agriculturists, but their help is too inadequate to meet the demand.

Co-operative banks have been established in some areas and they come with their helping hands in time of the pressing need of the people at a comparatively low rate of interest. But those with no landed properties seldom get any help from these banks as they fail to find members who will stand sureties for them.

Merchants and dealers help in the way that they advance daily necessities and wait for their dues when the cultivators gather their crops and in place of interest they charge higher rate for their articles.

Companies trading in fertilisers or seeds, etc., are not found to advance commodities in this part of subdivision.

(iv) In my subdivision, if Rs. 10,000 be placed for disposal for each thana, the demand can somehow be met.

(v) High rate of interest is one of the greatest defects and the oppression of the creditors to realise their money without giving time for the price of crops to rise is another defect.

If Government and co-operative banks come to their help by advancing money at a low rate of interest these defects can be remedied. Of course, legislation is another method to remedy these defects but I think that this forced method should not be adopted unless they are educated to respect law by co-operation. Besides pressing needs, which if not remedied by finding money for them at a low rate of interest, would not permit them to obey law to the letter.

(vi) Far from any co-ordination among credit agencies, they are rarely to be found in existence even. Where there are co-operative societies, the Government do not come to the help of these people.

There is ample scope for improvement in this direction. Government should find funds for these societies or merchants on condition that they are to advance money and daily necessities at a low profit and realise them when they find market for their crops at a favourable rate.

Question 2. (i) Middlemen come to villages to find out persons who are ready to sell their crops, and purchase them at a price which would keep them a sufficient percentage of profit for themselves. Sometimes they take their crops to the nearest *arat* (warehouses at market places).

The raiyats are quite unable to hold up their crops for better price, firstly to meet the pressing demand of the creditors and landlords. There are other reasons why they cannot wait for better price, as for instance for marriages of their daughters, etc.

(ii) If organisations are started to instruct people as to the advantages of forming pool or co-operative society for finding favourable market for their produce, I am sure there is every possibility of forming these societies, and the societies will increase in number as soon as they find the advantages of the agriculturists from them.

(iii) There being no sale societies in our locality subsequent questions of this paragraph do not arise.

(iv) Banks, bankers, merchants and dealers all play important parts directly or indirectly in both import and export trades.

Banks and bankers, when products reach the ports, advance money to merchants and dealers, who in their turn help through small dealers to reach these imported products to the consumers and to collect village products at these ports for export from villages.

Villagers take their produce to their respective hats where merchants who are mostly Marwaris purchase them and store them at *makams* at different centres and send them to ports for export to foreign country or other provinces.

The process is reversed during import trade.

Banks and bankers generally advance money when the merchandise reach the warehouses at ports. These Marwaris are in most cases rich enough not to require any money from banks but when merchants of other communities come in the field they take help from the banks.

(v) (a) Roughly, the method how financing during these stages is done is mentioned above. The big merchants who take advance get money from the bank at a comparatively low rate of interest and also other banking facilities owing to their credit as well as security. But the real growers do not obtain any help thereby. For, these merchants and big dealers all work for personal gain and when these products are collected from villages, they take advantage of the want and need of these people by buying them when their prices are low and hold them and sell when the prices rise higher.

If facilities in connection with financing during this stage be given to direct growers either through societies or the local zamindars on their securities at a low rate of interest, to be recoverable by instalments and on the security of their respective products by way of charge, much improvement can be expected for the movement of exported as well as imported articles.

(vi) (b) The suggestion that the growers do not get full value is correct to the letter. The middleman is the next gainer. But the ultimate gain is made by those firms and companies who deal in export trade and control the price. Perhaps this is the greatest grievance which a grower in India entertains in his mind under the British Government. They undergo hard labour which it will not be possible to describe unless the Committee sees in its own eyes these poor producers washing their jute crops in breast-high waters of stagnant and most unhealthy pools, shivering with malaria and kala-azar fever simply to see that the owners of firms and mills feed fat with the profits from these produces.

Instances are so numerous that the Committee will not find any difficulty to arrive at the conclusion suggested in this paragraph. I will only direct the Committee's attention to the poor lot of the growers of jute in India. It is a clear instance how control of prices by these firms and companies deprive the poor villagers of the full value of their produce. A great agitation was started by Mr. Gandhi and other political leaders of the country against cultivation of jute and they were successful to a certain extent, and the owners of jute mills, who practically control the price of jute, irrespective of the quantity and quality of production, found to their great apprehension that the jute cultivation was

falling off gradually, and if this state of things continued they apprehended that jute cultivation would be very unpopular and they grew anxious for the existence of their companies. They found an easy way of alluring them to the cultivation of this crop by suddenly offering high prices for jute, Rs. 25, and in some cases more were offered for a maund of raw jute against Rs. 6 to Rs. 7 of previous years. The allurements had its effect and the next year the cultivation of jute crops was abnormally higher than ever in record, only to see that prices fell next year to Rs. 8 never to rise unless they again form themselves into one association, like the mill-owners, to compel them to pay high prices for their produce by cultivating paddy and other crops so long they are not paid a decent profit for their produce. The profit which the shareholders of these companies make at the cost of these cultivators, if spent to the extent of only a tenth part, will drive all malaria from their villages and also improve the agricultural condition.

I would suggest that these cultivators will start co-operative societies and Government should find funds for these societies at a low rate of interest, say at the Savings Bank rate of interest, so that the people of India who deposit their savings through Post Office Savings Bank may indirectly help their own fellow brethren in villages who find food and living from them. Government will not also have to find separate funds except what is in its Post Office Savings Bank by the depositors.

Another suggestion is to induce the Government to advance loan to Union Boards, who on their own responsibility may advance again to the co-operative societies within their jurisdiction. The interest of the co-operative societies will be to advise the villagers to fall on that crop which may bring them greater return for the year. Thus they can divide lands for jute, paddy, sugarcane and other crops. The area of cultivation for a crop for each year will depend upon the price of the produce and what the societies may dictate. Ultimately it will be found that the companies would no longer be able to control the price, and when they will try to do so, these societies would instruct the villagers to leave the cultivation of that particular crop for such time as these companies do not raise the price to the proper standard.

(xvii) Railway receipts, bills of lading invoices, bills and other acknowledgments of reliable parties are sometimes used for borrowing money in marketing produces.

Question 3. (i) In the district of 24-Parganas value of an acre of land ranges from Rs. 35 to Rs. 1,000 per acre.

Land yielding paddy is costlier than lands yielding other crops, and that for jute commands the next higher price.

(ii) The main factor is the quantity of produce yielded from land. The next factor is the locality of land. Where the population is less, the demand being less than supply, the price of land consequently is very low. I have already mentioned that the different kinds of crop yielded from the land also regulate the price to a certain extent.

(iii) Sale by private negotiation fetches higher prices than court sales or revenue sales.

(a) Land at revenue sales fetch the lowest price of land, perhaps due to lack of proper publication, so that right parties who are interested to purchase these lands are not approached. The defaulters always hope and try to the last moment to procure money to pay off the Government

dues and they never think of finding purchasers for their estates during the period of publication.

(b) Court sales bring next higher price for lands. The price is however comparatively much lower than it would fetch at private sales.

(c) Vendors at private negotiations get much longer time and they always fix a reserve price and they do not sell at a price lower than that, unless they are unwillingly compelled to do under circumstances over which they have no control.

Question 4. (i) No.

(ii) By vesting transferable interest on *jote* lands, the credit of agriculturists has been established and they will readily get advances on charge or mortgage of these lands.

(iii) It stands in the way of establishing long-term credit because money-lenders are unwilling to keep as security a fractional undivided share. Moreover, if their other co-sharers make any default to pay revenue or rent or cess the entire property is sold for arrears.

(iv) No such bank in our part.

(v) Does not arise.

(vi) Agricultural banks should be started without delay in mufassal to help the cultivators. The banks should follow the rules of co-operative banks and in addition it will have more extensive power to seize (without the help of Court) by distraint the crops or other produce or securities after sufficient notice. The amount of advance will depend upon the area of land under actual cultivation, securities—landed or personal, which he may give, pecuniary circumstances, etc. The interest must be small, repayment to be by instalments and the farmers should not be compelled to sell their produce when the price rises in the market. In the meantime if he disposes of the produce, he will have to pay the loan first, as there must be a charge for the unpaid money of the bank. As searches are now made at the registry offices before any immovable property is purchased, similar enquiries on a nominal fee should be made before any man purchases produce or any property. Realisation may be made by issue of certificates through Collector.

(vii) (a) An additional column in the final publication showing the name of the person or persons who entered into any dispute may come to some help, as many villagers who do not get any remedy in settlement proceedings wait for six years, the period of limitation, and then sue to set aside the entry in Civil Court.

(b) Summary processes must be followed in suits for foreclosure or sale.

(c) Reference to record-of-rights when required by co-operative societies should be given free, and registration of records and process of law should be minimised when these banks want to proceed against defaulters.

(vii) (a), (b) (c) I have already suggested how to find funds for these banks, viz., by advance from Government at the rate of interest allowed in Savings Bank deposit.

Deposits and debenture bonds should be encouraged to create an interest of the local people in the bank. But the main source should be Government advance as suggested above and funds from central organisations.

(ix) In order to popularise these bonds Government should guarantee payment of interest at least if not both.

(x) Government will take security from the societies or banks through which they lend money to people, besides Government should have preferential charge, for the unpaid amount, upon the produce as well as land or other securities of the agriculturists.

(xi) Answers to previous questions cover this item also.

Question 5. (i) Difficult to state offhand. So far no such estimate has been prepared.

(ii) Through the zamindars' collecting agents by compulsory return of their debts like provisions made for return of income-tax.

(r) The debts are due to professional money-lenders. Where there are co-operative banks, 20 per cent. of the loan at the most are received from the bank and the remaining 80 per cent. from money-lenders which include *Kabulis* and *kistiwalas*.

(ri) Yes, it is on the increase, rather rapidly.

(rii) There are provisions in these Acts to meet the needs of the agriculturists, but the amount is quite inadequate to meet the demands. Moreover, the need during cultivation or other special needs, e.g., failure of monsoon or for land revenue, or rent, etc.

(riii) More facilities should be given to these agriculturists to approach the authorities more readily and to increase the amount of loan.

(ix) *Kabulis* in mufassal town are found to lend money at a high rate of interest. Their usual rate is 2 annas in the rupee per month. They have a *hatchita* where the agriculturists are required to sign their names and the amount borrowed. There is another class of upcountry lenders who work on the same line as *Kabulis*. They are called *kistiwalas*. These *kistiwalas* and *Kabulis* seldom go to court, but realise their interest as well as principal by oppressive measures. In interior places they appear with some merchandise generally warm clothings and sell them at high prices. The same measures are adopted as in advancing money, for selling those articles and realising their prices.

(x) A case was reported in newspapers that a party brought a suit on handnote for Rs. 10 in Chandpur and the decree was for Rs. 1,000. There are many concrete cases so innumerable that the Committee will find no difficulty to see what the poor cultivators suffer from the hands of mahajans.

(xi) The procedure in law is nowadays so vexatious and the circumstances of the cultivators so poor to afford costs that they do not defend their cases and the courts in these cases do not grant reduction of interest.

Moreover, when the money-lenders take shelter of the court they come at such a late period that even if this Act be availed, the amount that would be due will still be large enough to bring down the cultivator to a street beggar.

(xii) Rs. 2 per cent. per annum for secured loan and Rs. 3-2 to Rs. 4 for unsecured loan.

The rate of interest depends not merely on the condition of any security granted or not but whether the borrower is a man of substance or not.

(xiii) Taking advantage of the borrower, sometimes bonds are executed for larger amounts than they actually receive and also they sometimes pay off interest in advance before they become due when the loan is paid.

(xiv) *Dharma golas* should be started. When crops are collected a fixed quantity, say 10 seers, from a cultivator should be collected and accumulated in a public gola known as *Dharma gola* and every member who subscribed to it by contributing their produce should get loan of paddy or other seeds in time of need at a nominal interest. Non-members should also be given loan, but their rate of interest should be higher.

(xv) If 1 maund is taken loan usually one maund and a half is paid back. At any rate the interest is never less than 33 per cent.

(xvi) Yes, such is the lot of the majority of cultivators in Bengal. People with six or seven golas of paddy with 1,000 maunds of paddy at stock, himself a *gowala* with 80 or 100 cows had owing to failure of crops continuously for four years, to meet his rent by borrowing at a heavy rate of interest. Now his minor son is entirely dependent on the charity of others.

(xvii) Necessarily the above process takes away from the cultivators the incentive to produce more in an efficient manner, as soon as they find that they have been reduced to such circumstances that they are unable to redeem their properties. The idea of loan is looked upon with such apprehension that the cultivators are quite unwilling to indulge in any improvement by loan.

53.

Mr. Nripendra Kumar Roy, President, Agardari Union Board, district Khulna.

(Translated.)

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) The agriculturists at present obtain finance by borrowing on the security of his lands, etc., for the purposes referred to in (a), (b) and (c).

(ii) Interest is levied on all such advances at the rate of 37½ per cent. per annum. Interest is sometimes paid in kind but in such cases, a cultivator has to pay 1 pali (9 local seers) of paddy per rupee borrowed, which works out to 50 per cent. to 62½ per cent. per annum. Seventy-five per cent. of these loans are secured.

(iii) No incorporated bank of any kind is in operation in these parts. The local professional money-lenders supply the necessary finance.

(iv) So far as I have been able to gather from the value of money suits pending in the local courts as also of the mortgages and conveyances registered, the total amount of capital required would be 1½ lakhs of rupees.

(v) It is not possible for all the agriculturists to get the benefit of agricultural loans under the existing system. There are many who

do not know that Government grants such loans. The remedy lies in the spread of education and formation of a network of co-operative societies. Such societies to be really useful, should operate side by side with every post office.

(vi) There is absolutely no co-ordination among the credit agencies in this district. This can only be secured by the establishment of co-operative societies. The professional money-lenders work in co-ordination only with the common object of exploiting the agriculturists.

Question 2.—(i) Ordinarily the raiyat cannot hold up his crops because he has to pay his debts immediately after harvesting as also to provide for his maintenance.

(ii) It will immensely benefit the producers if pools could be formed for the marketing of agricultural produce. This can be easily done through co-operative societies.

(iii) So far as I know, there is no co-operative sale society in our district. There should be propaganda in this direction through the post office or the union boards and President Panchayets. The existing Co-operative and the Village Self-government Acts should be amended for this purpose.

(iv) There are at present no facilities for the marketing of produce. The raiyat has no idea as to the extent of service that can be rendered in this line by the banks, co-operative societies or loan offices. Some of the big farmers know that some banks and loan offices advance money against railway receipt and bills of lading. These facilities should be made known to the producers by propaganda through Government departments.

(v) (b) It is a bitter truth that the producers in India never get full value for his crops. Between the producer and the consumer there are about 10 to 12 intermediaries who appropriate the real profit. A jute-growers' association should be formed on the lines of the Jute Balers' Association to protect the interests of the producers. This suggestion applies also to other staple crops of the country.

(vi) It is due to both the causes.

(vii) There are no special facilities for internal remittances. Increased use of hundis and bills is desirable. The Negotiable Instruments Act requires amendment.

Question 3.—(i) and (ii) The value of land varies from Rs. 100 to Rs. 150 per acre. Land put up to auction for non-payment of revenue fetches a very small price. The court-sales secure better value. Sometimes land is sold by private negotiation at Rs. 400 to Rs. 600 per acre.

Question 4.—(i) There is no legal impediment to mortgage of agricultural holdings in view of the amended Bengal Tenancy Act.

(iv) No such banks in this district, but they should be formed.

(vi) and (vii) (a) and (b) To facilitate verification of title, there should be a remark in the record-of-rights as to whether there is any subsisting charge on the holding concerned. This would obviate to a great extent the expenses of searching documents at courts and Sub-Registry offices. Moreover, the privilege of summary recovery, by certificate procedure, of dues on registered mortgages should be conferred on such banks. The debtor will have the right of praying for a review on depositing the amount involved in the Court.

(viii) to (xii) The capital of the land mortgage bank should be derived from all the three sources. The debentures should, however, be guaranteed by Government and should be included in the list of trustee securities.

Question 5.—(i) In order to form a rough idea of the indebtedness of the agriculturists the relevant registers in the Registry offices and the Civil Courts both in respect of original suits and execution cases may be examined.

(iv) For purposes enumerated against (a), (c), (e) and (g).

(v) Seventy-five per cent. of these debts are due to professional money-lenders.

(vi) It is gradually increasing.

(vii) The agriculturists have not been benefited by the operations of the Land Improvement Loans Act and the Agriculturists' Loans Act.

(ix) The itinerant money-lenders are not found here except in one or two places. They charge up to 100 per cent. per annum as interest.

(xi) The Usurious Loans Act has hardly given any relief because everything depends upon the discretion of the courts. The Act has not laid down any principle for fixing a standard rate of interest. Moreover, the higher courts of appeal have been allowing full decree in mortgage suits irrespective of the rate of interest. The Act should therefore be so amended as to determine the standard rate of interest without leaving any discretion to the court.

(xiii) Both the creditor and the debtor are now trying to evade the law by collusive transactions.

(xv) Already stated in reply to 1 (ii).

(xvii) The rate of interest being excessive, many skilled farmers are being turned into tenants for a period or tenants-at-will and their properties are passing into the hands of the mahajans.

(xviii) Yes.

Question 6.—(i) to (v) Gur-making, milk and milk products, growing of kitchen garden vegetables, etc., are some of the industries allied or supplemental to agriculture. There are at present no facilities for fostering such industries. Small oil engines or hand-driven machineries may be introduced for the improvement of such industries. Small and necessary extra capital may be provided by the co-operative societies. But such societies should be enabled to advance loans to non-members as well and the Co-operative Societies Act should be modified accordingly. These societies will advance money on the security of these industrial implements as well as on the landed properties of the borrowers. The privilege of summary recovery by certificate procedure may at the same time be conferred on these securities.

Question 6B.—(i) to (iv) There are no special facilities for granting loans to non-agriculturists, such as day labourers, fishermen, small traders etc., who have to borrow on their personal securities at a very high rate of interest which sometimes goes up to 100 per cent. per annum. The existing banks do not give them special consideration and as a result indebtedness among these classes of people is gradually increasing.

Question 7.—(i) to (iv) Co-operative societies being under the supervision and control of Government, seldom care to enter into relationship of any kind with the other local banks. The former are certainly

competing with the latter by offering high rates of interest on deposits, thus making it difficult for the latter to secure local deposits. The co-operative banks sometimes pay interest at 9½ per cent. on deposits, which the other banks can hardly afford to offer. This competition, however, has not materially affected the working of the local joint stock and other banks. To stimulate the growth of the co-operative movement, special concessions, such as exemption from income-tax, inclusion of the debentures of co-operative societies in the list of trustee securities and reduction of the fees on remittances through post offices, should be extended to genuine co-operative societies.

Question 7A.—(i) Yes.

(ii) The scope of investment of co-operative societies should be enlarged but the restrictions laid down in section 32 of the Co-operative Societies Act should not be removed altogether.

(iii) I do not advocate free inter-lending at present between co-operative societies and joint stock banks or loan offices. Such inter-lending may be allowed in the case of well established banks only.

Question 7B.—(i) Co-operative societies have not been established in these parts.

(ii) This may be ascribed to the absence of propaganda work. Even where such societies are in existence, very few people outside the movement, including educated gentlemen, have any knowledge or idea of the existence or activities of such societies.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

There are about 7 or 8 loan offices and joint stock banks in the Sadar or Bagerhat subdivisions of the district of Khulna. They very seldom advance money for agricultural purposes. They pay at the rate of 8 per cent. per annum on long-term deposits and invest at 24 per cent. on loans issued. They hardly maintain a reserve fund. To secure their financial stability, the creation of a reserve fund by allocating a certain percentage of their paid-up capital and profits should be made compulsory by new enactments. It is extremely desirable to federate these loan offices into a central institution.

The accounts of these banks should be audited by qualified auditors appointed by Government. Under the provisions of the Indian Companies Act, the shareholders appoint auditors. It appears, however, that the general body of shareholders of limited companies seldom attend general meetings, which have often to be adjourned for want of a quorum. They are generally ignorant of the provisions of the Indian Companies Act and also either powerless or indifferent as to their own rights and interests. The Board of Directors or the Managing Agents generally run the whole show and select their own auditors. The Indian Companies Act should therefore be amended so as to invest either Government or the Registrar of Joint Stock Companies with the power of appointing auditors for limited companies, determining their fees and recovering the amount from the company concerned.

No loan office in Khulna district has failed but one such office known as "Star of India" has had to change its registered name as also the line of its business. The causes of such failures may be due to the ignorance of the general body of the shareholders and their inability to exercise proper supervision over the management.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(iv) No.

(v) To improve the existing facilities, there must be a branch bank at every village or union.

Question 2.—(i) Postal Cash Certificates are popular only with the educated middle class and the advanced traders. The masses have no knowledge of cash certificates.

(ii) The minimum amount that is now accepted for investment in cash certificate is Rs. 8. This should be reduced to Re. 1 if possible, to suit all purses.

(vi) There is some sort of competition but it does not appear to be unhealthy.

Question 3.—(i) The joint stock and other banks here have no facilities for purchase and sale of Government and other marketable securities. Arrangement might be made for the sale of such securities through the local bank to the agriculturists and others by instalments.

(iii) In prosperous years, the surplus, if any, is utilised in repayment of old debts and improvement of land.

Question 4.—(ii) The traders have been specially benefited by the abolition of the stamp duty on cheques.

(iii) To promote the cheque habit, the system of withdrawal from the postal savings banks and payment to Government and bank employees drawing Rs. 100 or more by cheque may be introduced.

Question 5.—(i) Yes.

(ii) The causes are (1) lack of education, (2) absence of propaganda by banks, (3) want of facilities for the small investors to keep small deposits except in the postal savings banks, (4) indifference of Government to the Indian banking organisations.

54.

**Mr. Indubhusan Sarkar, B.A., President, Ishan-Copalpur Union Board,
P. O. Ishanpur (Faridpur).**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) From indigenous bankers and co-operative banks.

(b) From local private money-lenders.

(c) From local private money-lenders.

(ii) Paragraph 1.—Rate—2 to 4 per cent. per month ordinarily and 4 to 6½ per cent. per month in respect of petty advances and loans from private money-lenders. 1 per cent. per month from co-operative banks. 1 to 2 per cent. from other local banks.

Nature of the security—In most cases personal security and occasionally homestead and culturable lands, surety, etc.

Paragraph 2—Secured 25 per cent. and unsecured 75 per cent.

(iii) Joint stock banks, co-operative banks, indigenous banks, individual bankers, professional money-lenders, merchants and dealers practically finance agriculture.

(iv) No.

(v) High rate of interest prevailing, which is due to dearth of sufficient funds. This may be remedied by opening more joint stock banks and co-operative banks from which the agriculturists may get loans at low rates of interest in time of need.

(vi) Co-ordination in a limited sense exist only in some cases but it is capable of improvement and extension.

Question 2.—(i) He sells to bankers and dealers and often direct to the consumers in markets, hats and bazars.

He is unable to hold up his crop for a better price. This is due to the extreme poverty of the raiyat, the lack of storage facilities and the risk appertaining to storing (e.g., theft, destruction by fire, deterioration and fluctuation of the market).

(iii) I am not aware of any.

(vi-b) It is a fact that the grower of produce in India hardly gets adequate return for the produce. This is due to improvident ways of the majority of the agriculturists, their inability to store up the produce for higher price. In most cases the grower finds himself in the miserable position of being under the necessity of parting with his produce either without profit or at slight profit and not unoften at a loss, in view of the rapidly increasing cost of growing.

If the demand for the produce (especially produce generally exported, e.g., jute) may be ascertained beforehand and its cultivation regulated and if the harvested produce may be held up with co-operative efforts for better price, the grower can expect a better return for the produce.

(vii) Owing to lack of banking facilities, the tillers of the soil do not get adequate and reasonable price for their produce, as the buyers generally dictate the price.

Question 3.—(i) Paddy land—Rs. 200 to Rs. 450 per acre. Jute land—Rs. 250 to Rs. 600 per acre.

(ii) The principal factors affecting the value of the land are nature of right, elevation or depression, proximity to towns and centres of trade, convenience of communication and fertility.

(a) and (b) Value of land is generally a bit low and fluctuating.

(c) Value of land generally normal and reasonable.

Question 4.—(i) Yes.

(ii) To a great extent. The amended Act has legalised the sale, mortgage or transfer of occupancy rights and as such has bettered the credit of the agriculturists.

(iv) Yes.

(v) The method of work of the aforesaid banks are: accepting deposits, granting loans on mortgage, on furnishing surety, on personal security, etc., transaction of other descriptions of business (in the case of some banks only), e.g., issuing and accepting bills of exchange, cheques, etc.

The method of raising capital is generally by floatation of joint stock companies, or of co-operative credit societies and by the sale of the shares thereof, as well as by accepting deposits.

(riii) (a), (b) and (c) Yes.

Question 5.—(i) Estimate for Ishan-Gopalpur Union Board (police-station Kotwali, district Faridpur). Area—16 square miles. Population—11,851 souls. Indebtedness—75 per cent. approximately.

(iii) (a) 25 per cent.

(b) 75 per cent.

(c) The debt is largely due to banks, co-operative credit societies, indigenous bankers and professional money-lenders.

(vi) Increasing.

(ix) Yes. They grant loans, generally unsecured at abnormally high rates of interest varying generally between $6\frac{1}{2}$ per cent. to $12\frac{1}{2}$ per cent. per month and realize their dues sometimes with coercion.

(xii) (a) Maximum rate of interest generally allowed by courts $37\frac{1}{2}$ per cent. per annum.

(xiv) By establishing granaries "dharma golas," etc., on co-operative basis.

(xv) From 20 to 25 per cent. generally for period of about six months.

(xvii) Yes.

(xviii) Yes.

Question 6.—(i) By the establishment of industrial banks throughout the province with a view to render financial aid to the producer enabling him to convert his raw materials into finished articles or to find a better market for his produce.

(iii) Where the cultivator has got land yielding two crops in the year, he scarcely finds any time for extra work but wherever the land yields only one crop in the year, he can devote his spare time to spinning, weaving, knitting, basket-making, rope-making and such other small home industries or to earning middleman's profit by the purchase and sale of agricultural and garden produce of other people.

(iv) By the extension of the system of granting loans at low rates of interest by co-operative banks or such other institutions.

(v) Government banks, co-operative banks and joint stock banks and private enterprise.

Question 6B.—(i) Private money-lenders generally grant loans to them according to their earning capacity, means, circumstances, property, homestead, etc., and sometimes on their pledging ornaments and such other valuable movables, if any.

(ii) Purposes—(a) Marriages and other religious and social ceremonies.

(b) Repayment of old debts.

(c) Medical treatment.

(d) Education of children.

(e) Purchasing properties.

(f) Building houses.

Rates of interest—Unsecured—Rs. 18½ to 56½ per cent. per annum and secured—Rs. 12 to 24 per cent. per annum.

(iii) Co-operative banks and joint stock banks grant loans to them now at rates of interests varying between 9 per cent. and 15 per cent. per annum for secured and 12 per cent. and 24 per cent. per annum for unsecured loans.

(iv) Increasing, owing to the rise in the price, specially of food-stuffs.

Question 7.—(iv) No.

(vi) Yes.

Question 7A.—(i) Yes.

(ii) Yes.

(iii) Yes. In order to establish mutual co-operation among these sister institutions.

Question 7B.—(i) The agriculturists are enjoying the privilege of getting loans at lower rates of interest than before and the prevailing rate of interest has gone down to some extent.

(ii) To some extent.

(iii) Want of mass education without which the movement will not achieve its expected end.

Unlimited liability of members though no doubt an efficient security, sometimes acts as a threat to intending members.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—(a) At the headquarters of the district of Faridpur there are 3 local banks, viz., the Faridpur Loan Office, Ltd., the Faridpur Bank, Ltd., and the Popular Bank, Ltd.

Question 3.—(i) Current—2 to 3 per cent. per annum. Fixed (one year's notice)—6 to 6½ per cent. per annum. Fixed (two years' notice)—7 per cent. per annum.

(ii) Two years.

Question 4.—(a) Nil.

(b) 32 per cent.

(c) Nil.

(d) 30 per cent.

(e) 12 per cent.

(f) Nil.

(g) Deposited with other banks—16 per cent.

(h) Cash in hand—10 per cent.

Total—100.

Question 5.—(i) Periods—(i) Six months to 2 years. Purposes—

- (a) Marriages and other religious and social ceremonies.
- (b) Repayment of old debts.
- (c) Medical treatment.
- (d) Education of children.
- (e) Purchasing properties.
- (f) Building house.

Rates of interest—Secured—9 to 15 per cent. and unsecured—12 to 24 per cent.

(ii) Yes, six monthly compound interest.

(iii) On very rare occasions.

(iv) Yes, when they become overdue aid is sought of law courts for realisation.

Question 6.—(i) Yes. Both secured and unsecured loans are granted.

(ii) Yes. Better than private money-lenders.

Question 7.—(i) No.

Question 8.—(i) 5 to 15 per cent. No separate investment earmarked for the said purpose in any other bank.

(ii) $7\frac{1}{2}$ to 15 per cent.

Question 9.—(ii) Yes. If possible.

Question 10.—It is desirable to have these banks federated into a central banking institution.

Question 12.—No bank failures.

Part II.—Indigenous Banking.

Question 1.—In our district the indigenous banks or bankers receive small deposits from private persons and grant loans to cultivators and other persons.

Question 2.—The indigenous banks or bankers help the cultivators and pedlars to a great extent by granting them loans in time of their need.

Question 5.—(i) They grant both secured and unsecured loans to agriculturists and other persons.

(ii) On own funds and sometimes taking loans from banks and other parties.

(iii) $7\frac{1}{2}$ to 12 per cent. from 1 to 3 years. $4\frac{1}{2}$ to 6 per cent. from 3 months to 6 months.

Question 6.—(i) Rate of interest in money—24 to 75 per cent. per annum. Rate of interest in kind—20 to 25 per cent. for the period of about 6 months.

(ii) By multiplying the co-operative and agricultural banks.

(iii) Yes.

Question 7.—(i) No.

(iv) In most cases.

(v) Receipts in recognised forms if granted to the debtors in respect of part payment, may be of some value to the debtor even though the said part payment is not duly endorsed on the back of the bond.

Question 8.—(iv) A great commotion and opposition may be created and in consequence of that the cultivators will be the worst sufferers.

Question 10.—They cannot meet all demands of the debtors for both the reasons.

Question 12.—(i) No.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(ii) Receiving deposits from the private persons and other banks and also selling shares of the bank.

(iii) Postal Savings Banks are in existence in many union boards and there are a fair number of rural societies under each Central Co-operative Bank in which savings may be invested.

(iv) In most cases.

(v) By establishment of more rural co-operative banks and other banks.

Question 3.—(iv) Yes, farmers lend to fellow-agriculturists on the prevailing rate of interest but the Muhammadan farmers generally mention some quantity of his produce instead of stipulated rate of interest.

55.

Mr. Matilal Sarkar, President, Lohagora Union Board, Narail Subdivision, district Jessore.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) By raising loans from private money-lenders, co-operative credit societies and from local loan companies and banks.

(b) Not prevalent in our part of the subdivision.

(c) By raising loans as (a) above.

(ii) Rate of interest is generally Rs. 37-8 per cent. per annum. Loans are raised from April to June each year and paid from September to January each year.

Loans raised on simple bonds.

Mostly unsecured loans.

(iii) Co-operative banks, private money-lenders, joint stock banks, and loan companies.

(v) Defects—High rate of interest.

Remedies suggested—If Government grant loans at a lower rate of interest, agriculturists will take loan.

Question 2. (i) Unable to hold up his crops for better price for want of finance. They are pressed for selling the crops for repayment of debts and to meet their expenses.

(ii) If Government, or any co-operative banks or joint stock companies advance money on keeping the produce at a nominal rate of interest and sell them when the prices rise high, the agriculturists may stock them for selling them at a fair price.

(iii) No.

(vi) (a) Merchants generally purchase the produce which they send to Calcutta for sale and they bring articles from Calcutta or other markets to sell them locally.

(vii) (a) Merchants purchase goods with money obtained on loan at a high rate of interest from private money-lenders or joint stock companies in order to facilitate their business.

For want of funds the merchants always suffer.

If they get money at a low rate of interest, their business may flourish.

(vi) (b) See answers given in (ii).

(vii) (b) Borrowers' lack of credit and want of funds of the money-lenders.

(viii) No facility.

(x) Negotiable instruments do not play any part in the subdivision.

(xviii) Not in use in this subdivision.

Question 3. (i) Rupees 300 per acre on an average. In this part of the subdivision different crops are raised on the same land.

(ii) Value depends on price of jute.

(a) No agricultural lands are sold at Government auction. Revenue paying taluqs are sold.

(b) Rupees 50 to Rs. 100.

(c) Rupees 300 per acre average.

Question 4. (i) No legal impediment.

(ii) No change in the situation.

(vii) (a) At present record-of-rights has got only a presumptive value, but if it is held not to be rebuttable, then disputes and counter claims by parties other than those who are the clients of the bank can be avoided.

(b) If the present law is amended.

(viii) (a) Yes.

(b) Yes.

(c) Yes.

(ix) Yes, Government guarantee is necessary.

(x) If there is Government supervision, there is no chance of loss.

(xi) (1) By taking deposits with promise to pay interests.

(2) By selling shares.

(3) By debenture bonds.

Question 5. (r) Banks, co-operative societies, professional money-lenders.

(vi) Increasing.

(ix) Kabulis are to be found in this locality. They advance money on a very high rate of interest on *hatchitas*.

(x) Rupees 150 per annum.

(xi) It has lowered the rate of interest.

(xii) (a) and (b) Generally Rs. 37-8 per cent. per annum as allowed by courts.

(xiii) No.

(xiv) If any joint stock companies advance seed at normal times then the raiyats can repay the same with less interest.

(xv) 50 per cent. interest is paid in case of paddy loans.

(xvi) Interest is generally taken at Rs. 37-8 per cent. per annum, calculated, in case of private money-lenders, in months, i.e., if money is advanced in January and paid in the first week of April, interest is charged for four months.

In the case of banks or companies interest is charged on the actual calculation of days.

(xvii) Yes.

(xviii) Yes.

Question 6B. (i) Private money-lenders have to be approached.

(ii) On ceremonial occasions, generally from 24 per cent. to Rs. 37-8 per cent. per annum.

There is slight difference between secured and unsecured debts.

(iii) Joint stock banks and indigenous banks generally help them.

(iv) Debts are increasing specially in case of middle class gentlemen.

Question 7. (i) No relationship.

(iii) Not required in this subdivision.

(iv) No competition.

56.

Mr. Pravash Chandra Bhattacharyya, Vice-President, Majergram Union Board, Ranaghat (Nadia).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) At the time of cultivation the peasants of our district (Nadia) are practically left with one source for getting loan for the purpose of their cultivation at a very high interest. It is the village mahajans (money-lenders), big or small.

Recently in some quarters, branches of co-operative banks have been established but their organisation is so very defective, their fund is so scanty and the method of their working is so cumbrous that very few peasants can be benefited by them.

Agricultural loan from the Government is utilised by very few peasants due to its dilatory method of sanctioning and other difficulties of applying and obtaining sanction by illiterate class of people.

At the time of harvesting they sometimes get advances from the merchants on condition that they would sell their produce to them at their dictated prices, which means a heavy loss.

(b) For capital or for any permanent improvement the peasants of our district cannot ordinarily get any loan from the village mahajans. Even if it can sometimes be obtained, people cannot utilise it because of its very high interest. So for this purpose the peasants of this district have no source of getting loan whatsoever.

(c) As in (a) the peasants have got one source only, namely, the village mahajans. Even the mahajans are very tight and often refuse to grant loan in the year of drought and as a result of the same a good number of peasants become absolutely ruined and some of them even turn out to be thieves and dacoits.

(ii) The rate of interest with the mahajans for money loan varies from 18 per cent. to 37½ per cent. compound. But mostly the peasants are compelled to take loan of paddy to suit the convenience of the mahajans. In that case the rate varies from 40 per cent. to 80 per cent. The rate of interest with the co-operative banks is 15 per cent.

The period of loan generally varies from six months to one year but with mahajans peasants are never free from debt.

The security that the peasants sometimes offer comprises their cattle, implements, crop and ornaments. Although no other condition is imposed on the peasants in writing in respect of such loans yet they practically become vassals to the mahajans. They are to serve them every now and then without any remuneration to secure favour. But this is being slackened gradually.

My estimate of secured and unsecured loan of above nature is roughly 25 per cent. and 75 per cent. respectively of the total loan.

(iii) Government on a very few occasions grant agricultural loan on security of landed property.

Imperial Bank of India does not render any help to the agricultural class in this district.

The few joint stock banks that exist in the district and subdivisional towns of this district do not extend their operation beyond the town itself and consequently are of no help to the village peasants.

Some co-operative banks render help to the peasants, but that is very insufficient and is not effective due to its system of working.

Local banks or bankers are very few and almost all of them are in district and subdivisional towns. They as a rule do not grant loan to village peasants.

Only professional mahajans are of some help to the peasants but at a heavy cost as aforesaid.

Merchants and traders within or without the district sometimes advance money to the peasants through their representative at the time of harvesting on conditions as stated in last paragraph, item (i).

No company, within or without the district, helps in any way the village peasants.

(iv) My estimate is that a capital of Rs. 30,00,000 is necessary for these purposes in the district of Nadia.

(v) There are various flaws in the present system of granting loan. First, the peasants are always at the mercy of the mahajans or workers

of co-operative banks. Loans are granted practically at the option of the lenders than borrowers. Borrowers feel a good deal of trouble in getting money in time and to their requirement. As a result cultivation suffers. Also for want of reasonable interest they cannot dare take sufficient amount for their purpose. The system of registration in respect of secured loan also renders hindrance to such borrowing.

The present difficulties can be obviated by following means:—

The union board should be granted authority to attest security bonds and registration should be made optional.

Stamp duty and registration fee should be diminished in respect of agricultural loans.

More money and greater facility should be granted to co-operative banks so that they might compete with village mahajans.

Village mahajans as well should have easier means of realising their money from the peasants like co-operative banks so that they might run less risk in lending money and consequently they can reduce their rate of interest.

(vi) There is no co-operation between the different money lenders. This should be established in the following way:—

(a) Government should grant their loan through the union boards on their recommendation in order to bring it within easy approach of the peasants.

(b) Local banks should get help from the Imperial Bank to extend their operation into the villages either directly or through local agencies such as local money-lenders in a businesslike way at a reasonable interest, say, at 10 per cent. maximum.

Question 2.—(i) The system of selling main produce in our district is that the peasants sell it to the local merchants almost at their dictated price. There is no competition even among such merchants as their number is few. They send it to Calcutta to some recognised aratdars and sell through them to actual exporters.

Raiyats cannot hold their produce long for want of funds, through pressure of mahajans and sometimes of merchants, too, when they take advances from them. In the later case they lose more as explained in question 1.

(ii) It is possible to a certain extent to hold up the produce by co-operative effort provided the Government, the rich in the locality consisting mainly of non-agricultural class and local banks unite together and exert their joint effort, which, to my opinion, is very difficult to effect immediately.

(iii) There is no co-operative sale society in our part of the district. Hence I do not deal with other points in this respect.

(iv) Peasants should get facility for getting loan on hypothecation of crop so that they might take breath and choose how, to whom and when to sell their produce.

At present there is no such arrangement excepting taking advance from the buyers at a heavy loss.

(v) There is practically no facility, so it stands no comparison.

(vi) Calcutta merchants advance certain percentage of money to the intermediate dealers against railway receipt, say, 75 per cent. The peasants send their goods to nearest market or local merchants get

certain portion of the value and the balance after the goods are despatched. This interchange of hands compels the peasants to sell at a much lower price.

In our district there is no such bank which helps any body in this respect.

(vi) (a) It is only the Calcutta merchants who get some money facility from the exporters. They get advances on hundi as soon as they produce railway receipt. But the actual producers or the local traders do not get any advantage of such hundi system. The difficulties in the way of this are many. First, there is no local bank to deal in such things. All local transactions are in cash. There is no recognised store or godown to store local goods. My suggestion in this respect is that co-operative banks should work on a bigger scale. Every branch should have a store house. As soon as goods would reach the godown they should advance money to the peasants on hundi which the Imperial Bank should discount and the bank should despatch the goods at the instruction of the peasants to Calcutta merchants or exporters direct and realise the value from them. If all these transactions are done by cheques there would be a lot of saving in respect of transit of money.

(vi) (b) Sometimes the exporters and mill owners control the price no doubt. It is specially in case of jute. This is so because the buyers are few and the producers cannot hold their goods up to their desired end for want of fund. There are two main reasons for this drawback, one, the utter illiteracy of the peasant class who do not know how to dispose of their goods in a better market and at a higher price and, the other, absolute want of proper agents, such as bank, etc., who can guide them.

(vii) The difficulty of getting loan by the peasants is not due to non-confidence in them or due to buyers being monopolisers or due to ignorance of sorting goods on the part of the peasants. It is entirely due to want of proper financiers. Peasants can be trained in sorting in no time.

(viii) There is no facility of transmitting money excepting through Postal Department.

(x) In our district negotiable instruments are rarely used.

(xi) Stamp duty on bills should be lessened to minimise the cost and popularise the same.

(xii) Practically there is no hundi system in our district.

(xiii) Printed forms of hundi will be more popular and convenient.

(xiv) The hundi papers should always be issued and registered in the name of the drawers and never in the name of the drawees. This will be a check to certain extent against their misuse.

(xv) There is no hundi system in the district.

(xvi) Ditto.

(xvii) Nothing excepting railway receipt.

(xix) Licensed godowns or bonded houses will be of great use and help in matters of securing loan. The chalan or the receipt granted by such bonded houses for goods stored may safely be utilised in drawing hundis on them.

(xx) Government should have periodical check and control over them to avoid fraud in the beginning and should take initiative in starting such godowns in certain rural areas in the district.

Question 4.—(i) At present there is no legal restriction in mortgaging occupancy holdings.

(ii) Formerly, the peasants could not mortgage their occupancy holdings as they were non-transferable. But under the present amended Tenancy Act they can do so. Hence it has rendered some facility to the peasants to raise loan on the security of their holdings.

(iii) The only difficulty that the money-lending concerns will have to face for lands of different holdings being small and scattered is that it would be a very tedious and unmanageable task for such concerns to manage such holdings if they are not redeemed.

(iv) There is no such bank in this district to advance money for a long period against landed property.

(vi) Land mortgage banks should be started on co-operative basis with its central office at the district town and also offices at subdivisional towns. The branch offices should be managed by a committee of members recruited from the local zemindars and prominent raiyats and secretaries. In granting loans some of the members should stand surety, preferably those that may have some connection with the property mortgaged.

(vii) (a) The record-of-rights prepared in the last Government Settlement should be made the basis of right of respective parties in landed properties. These records-of-rights should be corrected and renewed at the time of every transfer by the Registrar or Sub-Registrar as the case may be, and the renewed records-of-rights should be returned along with documents. This will make searching easy.

(b) On failure to redeem the property by the borrower these banks should have the right to foreclose, sell or otherwise dispose of by means of certificate or notice instead of going through the intricate process of law.

(c) The presence of the members standing surety in the Registration office should be exempted. They should sign in presence of the bank authority and then the document should be registered.

(viii) The capital of such banks should be raised from local deposits. But it may be difficult in the beginning. It should be raised by debenture bonds guaranteed by Government.

(ix) Government should stand guarantee for the principal amount of such debentures.

(x) In order to avoid loss of Government there should be certain rules as the Government would suggest to ensure sound investment and periodical audit and inspection of the account and transaction by the Government.

(xi) Such banks should raise money at interests varying from 6 per cent. to 8 per cent. and grant loan at interest varying from 9 to 12 per cent. The debentures should be payable within ten years on the option of the banks.

(xii) Yes, these debentures should be enlisted as trustee security.

(xiii) I cannot suggest any better means for such loans than establishment of co-operative land mortgage banks.

Question 5.—(i) I know the conditions of debt incurred by the people of villages Gangnapur and Majergram, thana Ranaghat, district Nadia.

(ii) I submit below the actual state of affairs there.

(iii) (a) Loan under mortgage of landed properties amounts to Rs. 3,500.

(b) Loan under security of moveable properties as stated amounts to Rs. 5,500.

(iv)—

	Rs.
(a) For repaying old debt	500
(b) For marriage, etc.	600
(c) For litigation	300
(d) Nil.	
(e) For paying rents, etc.	300
(f) Nil.	
(g) For pure agriculture, purchase of cattle, seed and manure, etc.	7,300
Total	9,000

(v) Of the above sum, Rs. 5,000 has been borrowed from professional mahajans.

(vi) Peasants' debt is almost stagnant. Fluctuation is very imperceptible.

(vii) Land improvement loan or agricultural loan has produced almost no effect on the improvement of lands.

(viii) In order to make effective result in this direction union boards should have proper instruction to popularise these loans and to work in this direction.

(ix) Kabulis are visible, no doubt, in the district, but their operation is limited to sale of garments on credit at a considerable profit.

(x) There are instances of miserable effect of heavy interest in other parts of the district. In my part as well the peasants are ever poor for this heavy interest. They can not lay by enough to meet their household expenses even for a month in the year. They are always dependent on the mahajans.

(xi) There is no effect of the Act X of 1918 in the district. It requires propaganda to make its provisions known.

(xii) The Court does not interfere in any way in the rate of interest fixed by the lender.

(xiii) This sort of practice is very rare.

(xiv) Loan of paddy peasants can have from the mahajans, but as their rate of interest is high the maximum rate should be fixed by the Government. At the same time all facilities should be given to the mahajans for realisation of their money. This may be done if crop can be secured by the unregistered deed and the mahajans can have possession over the same at any time without passing through the labyrinth of the Civil Court. Seed they can easily procure if they can get loan at a reasonable interest.

(xv) The rate of interest on paddy loan varies from 40 to 80 per cent.

(xvii) Peasants can never have permanent tenure for want of money. They are at their wits' end to find money for their cultivation, not to speak of securing permanent tenure. In fact, mahajans in this district do not hanker after land as lands are cheap and easily available in this district. It is the want of proper education in agricultural line and guidance which is the main cause of the poverty of our peasants.

(xviii) In this district the condition is quite different. It is the fault of zamindars and the tenants both. They are so very indifferent to improving land that they neither look to their interest or interest of this country. Tenants are satisfied with what they have and the zamindars too never care to increase their income. To my opinion, in order to bring uncultivated lands under cultivation union boards should be empowered to clear up jungles and force the landlords to settle lands with tenants without rent for at least five years.

Question 6.—(i) There are small industries but they are on small scale. There are a few rice mills in the district. But, as for small labour industries along with agriculture, peasants of this district take to producing vegetables, preparing molasses, husking paddy, and milk business. All these they do in half-hearted and haphazard way. These industries although very profitable yet are never paid attention to. This is due to the laziness of the peasants and want of proper guidance. Cotton yarn and sugar industries are almost nil in this district.

(ii) The only means to develop these industries is to supply a small capital and to goad the peasants to work a bit harder. The scourge of malaria too stands in the way to a certain extent and steps should be taken to drive it from the district.

(iii) The best way of utilising the leisure period for the peasants is to take to gardening and milk business.

(iv) Not very much capital is necessary for these purposes. For gardening the waste lands and jungles should be utilised, for which the zamindars, landlords and the Government as well should help. This is both for improvement of land and combating malaria.

(v) Small capital that will be necessary for this purpose may be supplied by banks if suitably organised as described in previous questions.

Question 6B.—(i) Day-labourers, fishermen, small industrial people and middle class people have no facility of having loan without mortgaging some property or pawning ornaments or some such thing. Men in service sometimes get loan. These loans are generally granted by local non-professional money-lenders. They do not get any help from professional mahajans as they do not take loan on high interest.

(ii) These people take loan on extraordinary circumstances, such as marriage, house building, etc.

They rarely get loan without security. Their rate of interest varies from 12 to 18 per cent.

(iii) They get very little help from banks. Their bankers are the non-professional money-lenders. They can have better facility if some banks are established in different parts of the district.

(iv) These people are not much in debt.

Part II.—Indigenous Banking.

Question 1.—(i) In my opinion the banking system in the district should be as follows:—

Imperial Bank should recognise all central co-operative banks in every district. All transactions with these banks should be done in cheques through the medium of the local treasury, if and where necessary, to minimise transit cost.

Central banks should be under the control of the Government. They should have free connection with all local banks and loan offices in all banking affairs.

They should have branches at places in the district, where necessary, to help industrial people and agriculturists. Such branches should be directed by a board of local people who should always be responsible for investments in the local area. There should be provision for remuneration of such directors and commission for standing surety.

Central banks should discount hundies drawn in their favour or advance loan on other documents held by such branches if necessary.

In order to get facility of fund Imperial Bank should rediscount such hundies or advance money to these central banks on pledge of such documents.

(ii) Yes, as I have stated above.

(iii) Certainly these branches of central banks will get opposition from the village mahajans in the beginning. In the beginning, instead of granting loan to the agriculturists, they should try to mix with the mahajans and grant loan to them at a low interest so that they might make profit out of it. It will be found that within one year the directors of such branches will gain all experiences of these bankers and mahajans.

(iv) There might be some competition in the beginning. But these mahajans and bankers won't be able to compete owing to their heavy interest. Even if they reduce their rate of interest they would fail owing to their disadvantage in realising the money in comparison with the branches of the central banks who must have easier method of realisation, such as certificate and so forth, as I have dealt in separate question. In the end these bankers and mahajans will deposit their money with such branches even at a lower rate.

The benefit of certificate or other easier method of realising money should not be extended to private individuals as there is very much apprehension of misuse.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) There are following ways of investment in the district:—

(a) Loan against landed and house property and ornaments.

(b) Loan to agriculturists and industrialists.

(c) Postal Savings Bank and Cash Certificate.

(d) Government papers, tea and other shares, Corporation, Port Commissioners and Calcutta Improvement Trust Debentures, and so forth.

(e) Fixed deposit in banks.

(ii) Over and above the capital existing in the district, ten lakhs of rupees more can be utilised at once.

(iii) Savings can be invested in agriculture, small industries, landed property, Postal Saving Banks, Cash Certificates, Government papers, shares, debentures and bank deposits.

(iv) Public cannot get good return for their investments. Excepting a few mahajans and money-lenders ordinary public invest their money in post offices or Government papers where they get very low interest. The number of good banks is limited and due to their unsatisfactory working they have not yet been able to draw sympathy of the public. Again, the villagers do not get advantage of these banks.

(v) Properly organised banks or their branches as described in previous questions should be established in interior places.

(vi) The accumulation of gold and silver in ornaments has got no practical utility excepting a way of saving although at a loss. It is more a luxury and practice than a necessity. But it is the only saving which sometimes comes to a great use and benefit to the women class, specially when they become widow, nay, it is a help to husbands and sons as well in time of their distress.

Question 2.—(i) Postal Cash Certificate had been popular no doubt, but owing to its rate of interest being decreased its popularity is waning.

(ii) The rate of interest for Postal Cash Certificates should be 6 per cent. compound.

(iii) Another difficulty is that the investors have got to wait for five years for this benefit. The rule should be that they would get Savings Bank interest if they withdraw within one year and beyond one year they should get rateable interest.

(iv) Only middle class people generally invest money in Postal Cash Certificates.

(v) If the papers of the Certificates be made stronger and a little propaganda work is done it will be popular to the peasants as well.

(vi) No doubt the interest of Cash Certificates and Treasury Bills clashes with the interest of European banks, but there is no way out of it. It is mostly due to their conservative and anti-Indian policy that they suffer. They never care to open branches where there is no European interest. They would never help any Indian bank or loan office. They would always look to Indian business with an eye of distrust. Their activities are mostly limited to metropolitan towns and European centres. They deal mainly in foreign capital for the benefit of the foreigners. Where they take Indian constituents it is either for policy's sake or for the sake of their interest. Indian banks or loan offices never suffer for this. Because they have got to borrow at a higher interest and lend at a higher interest. Mufassal banks and loan offices do not suffer for high interest of Cash Certificates or Treasury Bills. They are thriving all right. Certain people as well are being greatly benefited by these banks.

Want of education is at the root of everything. There is capital in the country. There is means to utilise it. The ignorance as to how to collect and utilise is the root of our poverty. The few rich and the educated are slave to their individual interest. The rural areas are totally neglected. The peasant class has been left to their lot to live like cats and dogs. There is no body to uplift them, no body to educate

them, no body to train them in industrial affairs, no body to help them even in their limited endeavour in agriculture too. Will the Government look to their interest, educate them, train them, help them and raise them to the status of men? Only sham banking facility won't do. There should be heart behind and a real desire to help them.

We are co-operating, but we are getting trash in return. Let us hope for the better policy of the Government.

57.

Mr. Biswajoy Sarkar of Bongram Union Board (Birbhum).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) During the period of cultivation, the agriculturist in this part of the province generally takes paddy loan from the local paddy-lenders.

(b) For capital and permanent improvement, the agriculturist takes loan from the local money-lenders.

(c) On failure of monsoon the agriculturist generally takes loan from the local money-lenders for their household needs.

Land revenue.—In the case of failure of monsoon, generally the agriculturists do not pay their rents to their zemindars, so they do not go to take loan from anybody.

(ii) The rates of interest generally charged in this part of the province on paddy loan is 50 per cent. of the total quantity of paddy given for six months. In this sort of paddy loan no security is taken by the paddy-lenders. On money lent to the agriculturists on good security the interest demanded by the local money-lender varies from 12 to 37½ per cent. per annum. But where there are co-operative credit societies, the rate of interest charged on the money lent to the member of the society is 12½ per cent. per annum. But these are very few in number in this part of the province.

In my estimate 99 out of 100 cases of loans are secured loans and there are no cases found as unsecured loan in this part of the province.

(iii) The part played in agricultural finance by the local mahajan is very important in this part of the province. Now-a-days the co-operative credit societies are also helping the agriculturist a little. But the Imperial Bank and other Joint-stock Company do nothing in this respect.

The Government agricultural loan plays not very important part as this loan is not given to the cultivators up to their requirements and the cultivators have to go again to the local professional money-lenders.

(iv) Rupees fifty lakhs is required for the purposes stated above for my district only.

(v) In the present system of agricultural financing the defects are as follows:—The co-operative societies organised in the villages cannot grant loans to the requirement of the agriculturists so the agriculturists have to depend on the mercy of the local money-lenders and paddy-lenders and thereby sustain a heavy loss by payment of heavy rate of interest to the local mahajans who have transactions of paddy and money.

The co-operative village society is not able to supply to the agriculturist the money to their requirement only because the authorities of the Central Bank of the district have no direct knowledge about the requirements of the village agriculturist and hence they cannot render timely and adequate help to the rural societies.

To do good to the agriculturist through the co-operative agency it is proper to advance loans to the agriculturists three times in the year, once during the months from February to April for purchasing manure and seeds, then during June-July, i.e., during the period of cultivation, and lastly during September-October.

(v) If, in this way, the agriculturists are allowed to get money as advance, they can conveniently get on with their cultivation and will be saved from paying a heavy rate of interest and can store up the early (aus) paddy crop for selling it at reasonable price in future.

(vi) There is no co-ordination among the various credit agencies. For the present there is no scope for improvement.

Question 2.—(i) Paddy is the principal crop in this district and the raiyats carry their product to different aratdars of several places and to the different mill owners.

The raiyat cannot hold up his crops for a better price as he has to sell his products at once to meet the expenditure of his own household and to pay rent and repay his debts due to mahajan (this debt includes paddy debt also).

(ii) In my opinion it is possible to form pools by organising a co-operative sale and purchase society in each Union. In that society, the authorities will take from the raiyat the principal product (paddy) and will give the raiyat in exchange his requirements (cloth, utensil, etc.) or money, if he so desires. The society will store all the paddy of the union and whenever it finds better price it will sell that stored up paddy to the better market at convenience, and after the audit at the end of the year the society will keep 50 per cent. of the selling profit and the remaining 50 per cent. it will divide among the members who deal in paddy or any product with it. In this way the society in the union will be able to ameliorate the condition of the inhabitants of the union. These societies will be financed by the District Central Bank.

(iii) There are few co-operative sale societies in this district. These have been constituted according to the co-operative principles. These are linked to the central co-operative banks of this district. These are almost a failure.

(iv) There are at present no credit facilities in financing of the products during marketing in this district. If such facilities existed during marketing it would be of great help to the agriculturists. Seventy-five per cent. of the value of the products may be advanced during marketing through the co-operative agencies.

(v) For internal trade, the credit facilities may be given for a short period of time and for foreign trade the credit facilities may be given for a longer period of time. If these facilities be given for a longer period the producer may carry his products to the foreign market conveniently.

(vi) (2) The koyals or village brokers purchase products generally from the villagers and these are taken to the mokams and the mokamdars send these to big mahajans who export these products to different directions. These products they purchase from the villagers on cash price. The mokamdars generally are supplied with money by big merchants.

(b) Big merchants import articles from different directions and from them the rural dealers from many parts take these to their village shops and thence distribute these to the consumers. The money required for doing this they (village shop-keepers) take from the local mahajans. This is the case in our district. Big merchants may have connection with banks.

(vi) (a) The big merchants supply money to the mokamdars on condition that after the expiry of a certain period mentioned at the time of transaction certain interest is charged on money supplied. Sometimes the mokamdars do not get any supply of money; in that case the mokamdars take loan from local mahajan at a certain interest which varies from Re. 1-8 per 100 per month to Rs. 2-4 per 100 per month, but from the local mahajans they do not get sufficient supply of money; so sometimes they have to go to mahajans of other places or to depend upon their own resources and thereby they cannot improve their condition as well as the condition of their trade.

But where the mokamdars have to borrow money from the mahajans the mokamdars play fraud with producers of the village and thereby make a profit themselves, but cause heavy loss to the growers. The difficulties may be removed if co-operative societies or banks are started to supply money to the producers and if arrangements are made to take their produce to the better market through the co-operative agencies which may try to supply money to the producers till their produces are sold. In that case the growers will get better value of their produce and something of the profit the co-operative society will derive.

(b) It is true that producers (growers) in India do not get the full value of their products for they are to depend on the mercy of the middleman who settles the price of their products with them. The growers are needy men of the village and they cannot wait for a better price. The middleman also takes away more in weight of the products than the weight in vogue at the bazar, I know certain cases which I give here in detail. The koyal or middleman uses 82-10 tolas in weighing the produce and takes some dhalta (surplus quantity) weighing 1½ seers per maund; in this way the koyal causes loss to the producers. This can be removed by starting co-operative societies and making arrangement so that their products are sold at reasonable price.

(vii) In my opinion there are possibilities of operating warehouses on co-operative basis. These warehouses cannot carry on business for the purpose of profit making. These can handle all the products of agriculture and sericulture. The chief business of these warehouses should be—

(a) storing goods on the system of "storage for exchange."

(b) Further handling, packing and repacking of stored goods.

(c) Acting as intermediary or commission merchants for sale of stored goods.

(d) The issuing of warrant certificates, having the same legal status as those issued under commercial code of law.

(e) Advancing money against such warrant certificate.

Such warehouses are exempt from income and business taxes. In making these warehouses popular, it is necessary that the people of India should be trained to realise their interest.

(xx) Yes, there is every need for Government assistance in the establishment of these warehouses.

The Indian agriculturists have not yet awakened to the realisation of their own interest and therefore the Government should make strong propaganda which would take the form of lantern lectures, canvassing, circulars, etc.

This propaganda should also be carried on in schools so that the young people may be imbued with the ideals of co-operation.

Question 3.—(i) The average price of one acre of land of different crops in this district is as follows:—

Lands where only paddy is grown—Rs. 300 per acre.

Lands where rabi crops and more than two crops grown—Rs. 450 to Rs. 500.

(ii) The factors are that when one has an earnest desire in purchasing a plot of land in that case the land is sold at a fair price, but when it is sold by auction the land is sold to the highest bidder; in that case there is no certainty of price of the land.

(a) The value of the land generally in the Government auction for non-payment of revenue may be high or low according to the attitude of the bidders.

(b) Value of land by court decree may be high or low according to the attitude of the bidders.

(c) In purchase of land by private negotiation the value is settled fairly and reasonably.

Question 4.—(i) There is no legal impediment to mortgage of land and agricultural holdings in the province.

(ii) The amended Bengal Tenancy Act has influenced the credit of the agriculturists to some extent, their lands being made transferable.

(iii) The smallness and fragmentation of the agricultural holdings stand in the way of establishing long-term credit institutions for the smallness of holding fetches small and insignificant income or fetches very low price, when sold. So nobody comes forward to give loan to the agriculturists possessing small holdings. Moreover the smallness of holdings has many other agricultural disadvantages.

(iv) There are no land mortgage banks or agricultural banks in this part of the province, but co-operative societies are now trying to invest money to the members as long-term loans, but the number of these societies is very limited.

(v) The co-operative societies give loans to the members only. The societies raise money by selling shares and by loans from the Central Banks to which these societies are affiliated.

(vi) The agricultural mortgage bank should raise its working capital through shares, deposits and loans obtained from a central institution,

but the amount of the last two should not be more than five times the amount of paid-up capital plus the reserve fund.

The loan given by the bank to agriculturists in the form of seeds and manure or money to purchase those things will have a prior claim for repayment from the proceeds of the crops of the borrowers within 18 months from the date of the loan over all other claims and, in the same way, the loans for the purchase of cattle, fodder and agricultural implements will have a prior claim on these articles except in the case of Government dues for land revenue.

The share-holder is also given some protection as his shares in the bank are not liable to be attached in the execution of any decree passed by any court except in payment of his dues to the bank itself. "The agricultural mortgage banks will be given all the facilities with regard to the freedom from liability to pay stamp duty, registration fees, court fees, income-tax, etc., extended to other co-operative societies. Another facility afforded to the banks will be that they will be entitled to receive a dividend not exceeding five per cent. It is also required that the bank must credit 25 per cent. of their profits every year to a reserve fund before distributing them to the share-holder. This bank should be purely a co-operative bank and constituted according to the Co-operative Societies Act of 1912.

Question 5.—(i) Very recently I have gathered information from the people of a very little village of 22 houses, that the amount of debt incurred by the villagers is about Rs. 300.

(ii) This information has been obtained from proper enquiry from the people themselves and I believe it to be accurate.

(iii) The amount of debt with security of land (by registered mortgage) is Rs. 134 and remaining Rs. 166 is taken by the people with promissory notes.

(iv) The debts are incurred by the agriculturist of this part of the country generally (a) for repayment of earlier debts, (b) for marriage and other social occasions, (c) for litigation, (e) sometimes for payment of land revenue or rent, (f) for growth of the debt by compound interest, interest not having been paid, (g) for the purchase of cattle, seed and manure.

(v) This debt is generally due to professional money-lenders and rarely to co-operative societies particularly for the purchase of cattle and seed and manure.

(vi) The agricultural indebtedness in this locality is increasing daily.

(vii) Very little of the needs of the agriculturists in this part of the country is met at present by the Land Improvements Loans Act of 1883 and the Agriculturists' Loans Act of 1884.

(ix) Itinerant money-lenders, such as Kabulis, are found in many parts of this district. They generally lend money at an interest of Rs. 150 per cent. per annum. Sometimes they supply clothes and garments to the needy people on credit for one year and for those things they demand high price covering an interest of Rs. 150 or so per cent. per annum.

They do such business among the needy agriculturist and for their investments they take no security at all. They make no enquiry before they grant loans to the borrowers. They generally invest money for

one year and sometimes for two or three years, and after the lapse of the period they demand the money from the borrowers and realise it by julum or oppression. The compound interest method of calculating the interest is generally the practice of these **Kabulis**.

(x) These **Kabulis** take usurious interests generally and sometimes the local professional money-lenders also take such kind of interest. These invest money at an interest of as. 2 per rupee per month which is a very exorbitant rate of interest and the people who have no means by which they can attract the attention of general money-lenders take loans from them. Usurious loans of other kind are not in vogue in this part of the country.

(xi) To no extent the Usurious Loans Act is availed of in our locality.

(xii) Generally the **Kabulis** and other money-lenders who invest money at an exorbitant rate do not take shelter of the court for the realisation of the money, but in other cases when the court thinks that the interest of certain loan is exorbitant it reduces the rate of interest to some extent.

The courts in our locality do not follow any standard in applying the Usurious Loans Act, but they generally allow the interest written in the bond.

(xiii) This Act is not in vogue in this part so this practice is not found in the locality.

(xiv) The proposed warehouses (mentioned in answer to the question 2 (xix) should give loans of seeds and paddy to the agriculturists at normal times on terms that these loans should be repaid in crops. In my opinion if the agriculturists are helped in this way it will not be difficult for them to pay up their debts and ameliorate their condition.

(xv) The prevalent rate of interest of paddy loan is 50 per cent. of the total quantity of paddy given for six months.

(xvi) The interest charged in this part of the locality in respect of advances, when taken for a long period of time, is Rs. 24 per cent. per annum. It is sometimes calculated by the process of compound interest. First takids are given for the payment of loan and when it is found that the borrower is not inclined to pay the lender takes the shelter of the court.

(xvii) A large number of efficient farmers who become involved into debts owing to their untoward circumstances are being turned into tenants for a period or tenant-at-will, their landed property passing on into the hands of the creditors by the decree of the court.

(xviii) If their landed property passes on into the hands of the creditors it is quite natural that the farmers lose their incentive to produce more and their efficiency is of no use.

Question 6.—(i) The small industries, e.g., weaving and basket-making and calico printing can be encouraged by forming co-operative societies and giving loans to those who require and to arrange to sell their products to good centres of the province.

(ii) The farmers of many parts of this province have work in their fields practically for six months and they have to idle away time in their houses for six months which they may utilise by taking to weaving and

calico printing and tape-making, etc., and thereby supplement their income and raise their standard of living.

(iv) The best method for securing working capital for such enterprises is to take loans from co-operative societies.

(v) The financial machinery for this purpose is co-operative banks and societies.

Question 6A.—(i) These small industries are at present financed by some organisation which purchase the products of these industries, (a) in respect of circulating capital and (b) in respect of fixed capital; sometimes the institution has to float a company and thereby raise money by selling shares or if the proprietor of the institution is one individual he has to find money either by taking loan from other money-lender or if he is a substantial man contribute the money from his own pocket.

(ii) The suggestion is that in every union there should be one co-operative society which would finance the industries and in this there should be better financial facilities.

Question 6B.—(i) There is no such facility prevailing in our district; if they want loan they may get it from the local mahajans.

(ii) These people other than small traders generally take loan for the marriage of their sons and daughters and other social ceremonies, but the small traders generally take loan for carrying on small trade.

For these purposes they generally get money at 25 per cent. on loan, but in unsecured loans the rate of interest varies from 37½ to 75 per cent. per annum.

(iii) For the present the people who are not agriculturists do not get help from the joint-stock banks and indigenous banks, but co-operative banks sometimes help them.

(iv) The indebtedness among these classes is generally on the increase.

Question 7.—(i) Co-operative banks have no relation with the other banks in this province.

(ii) In the co-operative society there is difference between the interest of short term, and that of long term. Long-term interest is much higher than the short-term interest, so this is one of the difficulties the members have to face.

Another difficulty is that the members of the co-operative society cannot get loan from others though they have assets, for nobody comes forward to grant loans to co-operative society members and the members have to suffer as the co-operative society cannot supply to them according to their needs.

(iii) According to my estimate the extra capital required for the co-operative movement in this district is from 20 to 30 lakhs of rupees.

(iv) There is no competition in this district between the co-operative banks and banks of other kinds.

(v) Yes, if the concession mentioned in question be granted the growth of the co-operative societies will be stimulated.

Question 7A.—(i) It is not at all desirable that the Central Co-operative Bank should be permitted to grant loans to individual members

and depositors, but there should be other kind of co-operative banks to the district which would give big loans to the zemindars and other big merchants of the district.

(ii) It is desirable to enlarge the scope for investment of funds of co-operative societies by relaxing the restrictions contained in section 32 of the Co-operative Societies Act and allowing the societies to invest wherever they find suitable.

(iii) I advocate free interlending of funds between co-operative and joint-stock banks and other loan offices.

(iv) At present there is no relation between the co-operative banks and the joint-stock banks, etc., and no one of them derive any assistance from other.

Question 7B.—(i) Practically speaking the establishment of the co-operative societies in rural areas has no effect on the prevailing rates of interest on secured and unsecured loans to agriculturists in this district.

(ii) To no extent are co-operative credit societies replacing professional money-lenders of this locality.

(iii) The factors that operate against the rapid spread of the co-operative banks and the rural areas are as follow :—

(a) The central banks have not sufficient money to meet the full requirements of the rural societies.

(b) The people of the Co-operative Department in the district and the organisers do not take proper care to explain the principle to the people of the rural areas and therefore the people of the rural areas hesitate to be members of the co-operative societies.

(c) The people lack in their capacity to realise their own wants and interests.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

There is no loan office or joint-stock bank in this district.

Part II.—Indigenous Banking.

There is no indigenous bank in this district.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(iii) Institutions in existence for encouraging saving and investment habits are postal savings banks, co-operative banks, etc.

(iv) Yes, the public have full facilities for investment of their savings, but the people can make very little savings after their expenditure.

(v) The people of Bengal, rich or poor, have the habits of investing in silver and gold.

Question 2.—(i) The Postal Cash Certificate is not popular in this district. To increase its popularity in this district the purchase price should be decreased more and propaganda work should be started also.

(ii) The present rate of interest in cash certificate should not be revised and the existing term of issue should not be changed.

(iii) The savings banks afford all facilities to public.

(iv) The middle class people generally resort to such forms of investment.

(v) If the rate of interest be raised up to 6 per cent. it will attract other classes.

(vi) I have nothing to say in the matter.

Question 3.—(i) In the mufassal area there is no such facility.

(ii) The agriculturists of this district generally sell their produce in time of need; so that they have very little surplus money left in their hands for investment after their expenditure. The middle class farmers lend their money, which they get by selling their produce or any other way, to local borrowers and sometimes invest them in savings banks of post offices. Other classes of people who are not agriculturists generally invest their money in savings banks and to the individual borrowers of the locality.

58.

Mr. Lalmohan Bhattacharjee, President, Hashara Union Board Bench and Court (Dacca).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) The agriculturist in the district of Dacca obtains finance generally from professional money-lenders. If there is no failure of monsoon, the agriculturists supply their own seeds and do the cultivation themselves with their own cattle. But if cattle die or there is failure of monsoon they have to go to the professional money-lender for loan. They seldom require or spend any capital for permanent improvements. They do not understand how permanent improvements are to be made.

(ii) The rate of interest charged by the money-lenders varies from 2 per cent. per month to 6½ per cent. per month. There is no fixed period for which these loans are taken. I have seen bonds executed 14 or 15 years past still remaining alive by real or alleged payments of interest. Sometimes bonds are renewed again and again and at last the whole land and all movables of the unfortunate agriculturist are sold by the money-lenders in execution of their decrees.

When security is demanded or accepted generally mortgage deeds with stipulation for payment of compound interest are executed. The dates of payment as stipulated in these bonds are generally entered according to the dictates of the money-lenders and both parties to the transaction know that the money will not be realised by the stipulated period.

Sometimes standing crop is given in security. As a consequence of this sort of security the money-lender takes the crop when it is ready for harvest and values it at his sweet will and puts the agriculturists in difficulties.

The percentage of secured debts is lower than that of the unsecured debts. But the tendency of the money-lenders now-a-days is to increase the percentage of secured debts.

(iv) About a crore of rupees is necessary for properly financing the agriculturists of this district.

(v) At present the agriculturists are victims in the hands of the local money-lenders. In every locality there is a limited number of money-lenders to whom the agriculturists are compelled to go having no other source of drawing the finance, and the agriculturists are compelled to borrow money at a high rate of interest as is demanded by the money-lender. The money-lenders are men of such nature that they first lend money to a new borrower at a low rate of interest, holding before him words of encouragements with the object of bringing him anyhow under his control, so that in case of subsequent borrowing he may demand higher rate of interest and thus ultimately get hold of all the properties of the agriculturist.

If once an agriculturist is indebted to one money-lender he cannot go to another money-lender though he knows that he may get money from the second man at a lower rate of interest in fear that his first mahajan will oppress him. Thus the agriculturists become the victims of a particular mahajan of their locality. It is also found that a particular family of agriculturists is bound down to the same mahajan for two or three generations.

The only remedy under the circumstances is to open in every village a co-operative bank capable of advancing adequate finance to the agriculturists in the time of their real need at a low rate of interest.

It is also necessary to make the agriculturists understand what is their real necessity and what is the true way in life and to imbibe the habit of frugality among them.

(vi) There is no co-ordination among the credit agencies or among the individual money-lenders. On the other hand there is enmity among the money-lenders of the same locality.

Question 2.—(i) Jute is a very important crop of our district. The marketing of this product is most defective. There are some seven intermediaries between the raiyat and the exporting firm, viz., the village shopkeeper, bepari, aratdar, etc. The raiyat, who generally takes loan from the village mahajan at most unprofitable rates of interest, has to sell his product immediately it is ready. The mahajan is sometimes the purchaser and by his financial power can compel the raiyat to sell his goods at his dictated price. The mahajan sells to the bepari who goes round from village to village to purchase jute. The bepari sells to the aratdar, who is in fact a storekeeper where the jute purchased by the beparis are collected. The sub-agencies of the exporting company purchase from the aratdars and send the jute to the agencies, and these agencies in their turn send to Calcutta for exporting to foreign markets or to Calcutta mills.

If there be any association which can purchase the produce from the raiyats and sell direct to the foreign company or native mill owner, who generally consume the produce, then the cultivators would be much benefited.

The poor cultivators being indebted to the money-lenders cannot wait for better price as the money-lenders begin to demand the money as soon

as the crop is ready for harvest. Under such circumstances the cultivator often sells his produce to the money-lenders at a price which is dictated by the money-lender.

Question 5.—(vi) The agricultural indebtedness in our locality is increasing by leaps and bounds owing to the following reasons:—

(a) The culturable lands are day by day going into the hands of money-lenders from the cultivators.

(b) The cultivators, having no other source of income, are compelled to incur more and more debts in case of failure of crops and thus they run into heavier debts while their old debts are kept alive.

(c) Though the income of cultivators has not increased, their style of living has been made higher in imitation of that of their middle-class neighbours, and in this way their expenditure is becoming disproportionate to their income.

(d) Owing to the rise of the price of the necessities of life.

(e) Their false idea of getting richer by cultivating jute in all the lands they possess without growing paddy in the lands and thus make no provision for themselves.

59.

Mr. Sudhindra Nath Basu, B. L., President, Union Board, Narail (Jessore).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) Usually from village money-lenders and in a few cases from zamindars.

(b) The same. Usually the people in this district have very little idea of improvement works and consequently little money is borrowed.

(c) The same. Sometimes in extreme case of failure of crops and famines, etc., from Government.

(ii) Interest varies from 12 to 37½ per cent. Loans are taken for a period of 6 months to 1 year and sometimes for 3 years.

In the largest number of cases standing crops form the usual security. Sometimes agricultural implements and cattle, etc., are also offered and accepted.

It is difficult to form an accurate estimate of the proportion of the different kinds of loans. However, so far as I understand, loans on the security of standing crops form the largest kind of all.

(iii) In the subdivision of Narail professional money-lenders still play the most important part. There are two joint stock loan companies doing some little work. But during the recent quarrel between the bargadars and tenure-holders, they clearly declared that the object of their companies is simply to help the middle class people against the oppression of the agriculturists. The only central co-operative bank at Narail is gradually extending its business. Further and rapid expansion is required to cope with the situation. The other kinds of banks and bankers may be regarded as nil in this part of the country.

(iv) A sum of Rs. 50,00,000 for duly financing the agriculture of a district like Jessore.

(v) Illiterate people usually borrow money for one purpose, but when the money is in hand they spend it for another. Moreover ignorance makes them extravagant. I would suggest the appointment of supervisors to enquire whether money borrowed for agricultural purposes is spent for purpose of family vanity or amusements.

(vi) Nothing like that is to be found here. The central co-operative bank may be regarded as doing something in that direction by directly paying off the previous debts of borrowers. Improvement is difficult in the presence of village money-lenders.

Question 2.—(i) The principal crops here are rice and jute. The raiyat is unable to hold up the crops for a better price simply because he is poor. He has to pay his rent, his previous debts, purchase necessities of life out of the produce. He cannot wait. Moreover rice if held up will always sell at a higher price as old rice, but jute is not so. Rather it is dangerous to store jute on account of its highly combustible property.

(ii) Co-operative societies if formed specially for the purpose of purchasing, storing and selling jute, will do immense good to the country. Jute is Bengal's monopoly produce. Yet the country derives little benefit from it. The price is controlled by foreign purchasers, and there is no large scale producer in the whole country. And if there were one or two such large scale producers, their position would be more dangerous in the presence of small farmers. It is a strange thing in the whole world that the monopoly holder has no control over the price. If by forming co-operative credit jute societies the jute produce of all the districts be purchased and carefully stored up during the season, the raiyat will get his money in time and the immense profit will help the country in various ways. The problem of mass education and sanitation will be solved at once without putting the Government to any embarrassing position for education cess or the like.

(iii) Nil.

(iv) There is very little credit facility in this part. Farias purchase articles sometimes on credit from the producers and sell them to the big merchants at mokams, etc. Want of respectable and faithful persons dealing in the small internal trade is the main cause. Co-operative society purchasers would induce producers better.

(v) Foreign trade is chiefly carried on through banks. But in internal trade we have practically no banks at all. To a certain extent aratdars at mokams and in Calcutta play the part of banks, and importers and exporters.

(vi) (a) In more than 60 per cent. of cases aratdars of Calcutta and other big places engage boatmen to collect articles from mufassal. Sometimes money is paid in advance, sometimes is paid on the arrival of articles. In a small number of cases boatmen themselves and small traders engaging boats take articles to Calcutta at their own risks and sell them to the aratdars who pay them at current price minus some discount, arat charges, brokerage, etc., which greatly diminish the actual money received.

(b) In the import internal trade, articles are purchased from Calcutta by big merchants in more than 75 per cent. of the cases on personal credit with the Calcutta firm. In trade between one part of the country with another exactly the same thing happens. The big merchants of the mufassal again sell them at credit or cash to small shopkeepers. The actual consumer has to buy articles at greatly enhanced prices.

(vi) (a) I have stated that financing is small and credit mostly personal. My suggestion is the organising of co-operative credit societies.

(vii) Yes, it is so in the case of jute. The monopoly position of buyers of jute has immensely prejudiced the interest of jute producers. It may be to a certain extent remedied by organising co-operative jute sale societies.

(viii) Facilities for internal remittance almost lacking. The village loan companies are all simple loan-givers and do not transact any banking business. Remittances are to a certain extent done by hundis of aratdars.

(ix) For this sort of remittance personal credit is required. So it could never become all round. If co-operative banks commence helping trade and introduce bank drafts and issue remittance cheques, it will be considerably remedied.

(x) In this part of the country a very small part is played by negotiable instruments. Possibly it is not above 10 per cent.

(xi) Hundis at sight or at certain days (usually 60 days and 90 days) sight are in use. At Kotchandpur in the sugar business is used barat patra, which is a kind of hundi at sight. The purchaser gives the seller a barat patra on a Calcutta aratdar. The seller realises the amount from there.

(xii) It is difficult to say whether standardisation and stamped paper will facilitate anything.

(xiii) Railway receipts are used in jute business. Money is realised from Calcutta aratdars on production of such receipts. Sometimes letters of stocking from reliable and recognised farias are also used.

(xiv) Licensed warehouses and receipts from them of stocking goods will surely enhance credit.

(xv) Yes.

Question 3.—(i) From Rs. 300 to Rs. 600 per acre. Lands producing rabi crops are sold at the highest rates. Jute land and rice lands come next.

(ii) (a), (b) and (c) Non-payment of revenue or court decree may affect price of land. But the most important factor is the productive power of the soil. So the untoward influence is not usually much felt.

Question 4.—(i) The greatest impediment is non-transferability of undef-raiyati tenancy.

(ii) The amendment of the Bengal Tenancy Act in this direction being too recent, it is not yet possible to form any accurate estimate of its influence on the credit of the agriculturists.

(iii) It affects long term credit no doubt. But to form an estimate is difficult.

(iv) No.

Question 5.—Agricultural indebtedness is mostly due to (iv) (c) litigation, (iv) (b) marriage and social occasions, (iv) (a) payment of earlier debts, (ix) (d) distress, (iv) (e) payment of revenue, etc., (iv) (f) compound interest; (iv) (g), (h), (i) are unknown in this part of the country.

(v) This debt is largely due to professional money-lenders. Loan offices and co-operative societies have commenced to play a small part only.

(vi) It is on the increase.

(ix) Kabulis are found here, but not very numerous. They give loans rather recklessly at exorbitant rates of interest and exact payment by threats, etc.; usually they come in winter and in a large number of cases agriculturists become indebted to them for the purchase of warm clothes.

(xiii) Yes, it is the practice with a number of professional money-lenders.

(xiv-xviii) Nil.

Question 6.—(i) Rice milling is only in its infancy. Only two or three rice mills can be seen in the whole district. Gur-making is a cottage industry of Jessore and Nadia, and it will live. Sugar refineries of Kotchandpur, Keshabpur, etc., are rapidly dying out through foreign competition. Hand spinning has got a sentimental impetus owing to the non-co-operation movement, so its fate is uncertain.

Question 6B.—(i) Usually simple personal credit.

(ii) Day labourers, etc., sometimes borrow for want of occupation or improvident habits and ignorance. Middle class gentlemen are put to difficult position for their social rank and higher standard of living. Moreover unemployment is growing in the country.

Maximum interest for secured loans is 18 per cent., that of unsecured loans, 37½ per cent.

(iii) Middle class men even are still in the hands of professional money-lenders. But to a certain extent they are gradually bettering their position through joint stock banks. Co-operative banks are not yet extending their helping hands to non-agricultural labourers. Expansion of co-operative societies will greatly remove the difficulties of these classes.

(iv) I believe it is on the increase.

Question 7.—(iv) and (v) There is some competition between co-operative banks and loan offices, and the latter are preferred as they grant loans to individuals.

(vi) Yes, these are essential. Want of cheaper and speedier means of remittance greatly hamper co-operative work. Income-tax on small co-operative banks prejudice their working. Issue of debentures will surely help expansion of co-operative system.

Question 7A.—(i) In my opinion it is high time to allow co-operative banks to grant loans to individual members.

(ii) I think so. Otherwise expansion of work is impeded.

(iii) Our recent experience is not very happy. Mufassal loan offices are not very sound organisations. Certified and chartered auditors appointed by these banks have not been proved to possess a standard of honesty. So reliance is difficult.

(iv) At present very little. Only in some cases loan offices deposit money with central co-operative banks.

(v) This is done through the provincial co-operative bank somewhat in a roundabout way.

Question 7B.—(i) It has not yet much affected interests charged by professional money-lenders specially because expansion of co-operative banks is very slow and they do not grant loans to non-members.

(ii) They have been able to do very little in this direction. A capital of about rupees three lakhs for the whole of Narail Subdivision is something like a drop in the ocean.

(iii) Professional money-lenders, usually middle class people, carrying on a regular propaganda against the spread of co-operative bank as it is practically deadly against their interest. Illiterate lower class people who have always to mix with and approach these men for landed interest, advice, social needs, medical help, etc., cannot actually go against their direction however oppressed they may be. Society, landed interest, family vanity, superstition and illiteracy are such an intricate web in Bengal that it is an herculean task to extricate the people out of their jaws, even if they understand their situation. The recent Tebhaga movement (one-third share of the produce to the owner of the land) of the bargadars of Narail has conclusively proved against what odds they have to fight.

Part 1A—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—(a) (1) Jessore Loan Company, Ltd., (2) Jessore Banking and Trading Company, Ltd., and (3) Jessore United Bank, Ltd.

(b) One loan office at the headquarters of each of the four subdivisions.

(c) Village Union Bank, Ltd., at Laksmipasa in the subdivision of Narail, Loan Company, Ltd., at Lohagara, and Lohagara Exchange Bank.

Question 2.—(a) Not more than one-fifth.

(b) Not more than one-tenth.

(c) Not more than one-fifth.

(d) About two-fifths.

(e) About one-fifth.

Question 3.—(i) $3\frac{1}{2}$ per cent. on money at short notice. 7 per cent. on money at one year's notice.

(ii) Loan offices in this district do not accept long term deposits.

Question 4.—(a) Not more than one-twentieth.

(b) Not more than one-tenth.

(c) Nil.

(d) About two-fifths.

(e) About three-tenths.

(f) Not at all.

Question 5.—(i) Loans are usually granted for a period of one year only, sometimes for 3 years. Interest is 18 per cent. In cases of mortgage bonds and large amount loans, interest varies from 12 to 15 per cent.

(ii) Compound interest is charged on unpaid interest every six months.

(iii) It is the practice with professional money-lenders and never with joint stock banks and loan offices.

(iv) Loans are for a fixed period. For overdue loans banks have to sue. Their position in this respect is weaker than that of the co-operative banks.

Question 6.—(i) Sometimes. But agricultural distress is not the question for consideration when they grant loans to agriculturists. Personal security or reliability of the person praying for loan is the most important consideration.

(ii) If they really meant to do something in this direction. Their object is not agricultural help, but to help the middle class people possibly against agricultural rise and pure business.

Question 7.—(i) Nil.

(ii) I don't think there would be much difficulty if they arranged exchange with Calcutta banks. But their ignorance of proper banking business and short-sighted policy stand in the way.

Question 8.—(i) From 10 to 15 per cent. of the profits. The reserve fund is invested sometimes in Government securities, sometimes deposited with some big banks, and in most cases used up in their own business and thus making it a reserve fund only on paper.

(ii) From 8 to 15 per cent.

Question 9.—(i) Book-keeping is rather anomalous. Some favour old Indian methods; others amalgamate both eastern and western methods. Very few take the help of modern scientific systems.

(ii) Yes. It will help co-ordination and auditing and will greatly enhance credit in favour of the companies.

Question 10.—The usefulness of a federated banking institution cannot be exaggerated. I have heard of one such soon going to be established. Bank failures will be impossible under such an organisation and depositors will find greater security for their money.

Question 11.—I would suggest exchange arrangements and warehouses for internal import and export trade, and a survey of agricultural prospect.

Question 12.—None. But the present condition of the Narail Loan Company, Ltd., is precarious. Babu Radhica Prosad Mitra, Managing Director since its inception in 1913, misappropriated about Rs. 21,000, and when hard pressed, committed suicide. After his death it is said that documents for about Rs. 15,000 and jewellery to the value of about Rs. 5,000 have been missing. It is difficult for a bank, of which the working capital is not above Rs. 1,20,000, to keep itself alive after such a loss of over Rs. 40,000. Moreover, it is said that in the list of missing documents is included a number of documents in the names of many of the present directors of the company.

Part II.—Indigenous Banking.

Question 6.—(i) Usually 37½ per cent. and when in kind one-fourth of the produce payable.

(ii) Education and spread of the knowledge of economy may bring down rates of interest. I do not think bankers will willingly bring down interest when their great source of income is loan business.

(iii) That is a question of education. I don't think a lower rate of interest will better their standard of living. Ignorance and superstition are the most important things to be taken into consideration.

Question 8.—(i) The great difficulty for the agriculturists of this part in getting loans from the bankers is the complicated succession law of the Muhammadans who form the majority of the agricultural population. This makes the bankers charge high rates, which tends to impoverish the tillers and to keep them in permanent bondage.

Question 10.—I don't think that indigenous bankers possess sufficient capital to accommodate all, though they sometimes refuse some owing to lack of proper security.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) Loan offices, co-operative banks, professional money-lenders, indigenous bankers, and somewhere zamindars.

(ii) In my opinion about Rs. 50 lakhs more is required for each subdivision.

(iii) Postal savings banks, loan offices and co-operative banks.

(iv) I don't think so.

(v) It is necessary to extend them in the interior places.

(vi) The habit of investing in gold and silver is most triumphantly exhibited in the rapid increase in the number of jewellery shops everywhere. Even a large number of the people of bhadralog classes is taking to this profession.

Question 2.—(i) The popularity of cash certificate is decreasing owing to the lowering of the rate of interest.

(ii) If popularity of cash certificate should be retained.

(iii) Their fewness renders them somewhat useless to the ignorant and lower class people of distant villages.

(iv) The largest number of the investors in the postal savings banks come from middle class service-holders.

(v) If rates of the savings bank interest could be raised.

(vi) I don't think that the present rate of interest of postal cash certificates offers any competition to the banking institution here.

Question 3.—(i) There is no branch of the Imperial Bank here. So facilities should be offered through co-operative banks.

(iii) Agriculturists and small industrialists here are usually very extravagant. In a year of distress they are over head and ears in debt, and in a prosperous year they squander away their extra earning in luxury, raising tin sheds, purchasing bicycles, and a large amount in making ornaments. Very little money goes to the savings banks, loan offices, or co-operative banks.

(iv) Very rarely, and specially because they cannot save any money. But the rate of interest is sometimes attractive. The fate of surplus money is already given. Growth and distribution of capital among the indigenous are very slow.

Question 4.—(i), (ii) and (iii) Cheques are not in use in this part of the country as banks are wanting. They are used by big merchants in their business with Calcutta firms. Unless proper banks were established the question could not at all arise here.

(iv) I don't think it will serve any useful purpose.

Question 5.—(i) Yes.

(ii) Lack of banks within easy reach, ignorance of the people, fear due to recent bank failures, communalistic propaganda and distrust among the different sections.

(iii) I would suggest rapid expansion of co-operative banks, offering people lucrative sources of investment and easy means of receiving loans. Educating the people by propaganda work will undoubtedly prove of immense value. For this purpose the service of the Inspectors of co-operative banks may be utilised. Even teachers of high schools may be asked to address meetings on some remuneration to be paid out of the profits of co-operative banks. Educative pamphlets should be freely distributed among the people. The objects of the pamphlets should not be mere dry speculation on investment. They should try to impress on the people ideas of sanitation, education, higher standard of living, scientific manuring of soil, opening of small industries, etc., for which the money saved by them will be properly utilised. I would even dare recommend the Government to spend something from its own coffers for such useful propaganda work.

(iv) None have been opened here.

60.

The Committee of the Indian Chamber of Commerce, Calcutta.

Prefatory Note.

At the outset my Committee would observe that they have not attempted to deal with all the questions raised in the questionnaire. They have endeavoured to focus their attention on a few outstanding

problems in regard to banking. In this prefatory note they have tried to present a bird's-eye view of the sources of finance available to agriculturists, industrialists—big and small, and traders. These sources may be stated as follows:—

Agriculturists.—Indigenous bankers, professional money-lenders and co-operative credit societies.

Cottage industries.—Indigenous bankers.

Small industries.—Indigenous bankers.

Internal trade.—Mainly indigenous bankers, supplemented to a very small extent by the Imperial Bank of India through the shroffs.

Big industries.—With the exception of the cotton industry, the other big industries are largely in European hands. These are considerably financed by the Imperial Bank. Some of the Indian-owned industries experience difficulty in getting adequate facilities from the Imperial Bank and have to seek the aid of indigenous bankers.

Foreign trade.—Exchange banks.

The Indian joint stock banks play only a small part in the money market, and that chiefly in lending moneys on stocks and shares, hessian delivery orders, Government promissory notes, etc., as also in some remittance work, bill collection, etc.

It is obvious that the indigenous bankers—by whatever names they may be called, e.g., village money-lenders, mahajans, shroffs, poddars, etc.—play the largest part in economic development of the country through the masses and middle classes, and in the distributive trade of the country through the merchants and traders, big and small.

The rates of interest charged by the indigenous bankers may be roughly stated to be as follows:—

(a) To respectable merchants in Calcutta—

(1) on hundis and purjas—rates vary with the market from 2 to 9 per cent.

(2) on khata peta, i.e., current account, and this is the largest medium of finance—6½ to 9 per cent. per annum.

(b) To second class merchants, rates are usually 9 to 12 per cent., but there are some cases of rates going up to 18 per cent.

(c) Agriculturists—there are various rates of which my Committee have no personal knowledge.

My Committee have not got before them the materials on which to found an accurate estimate of the amount lent by the indigenous bankers in the province. But they have made an effort to form a workable idea of the extent of service rendered by the indigenous bankers in carrying on internal trade in the case of those commodities which are largely dealt in and which more or less have some connection with the Port of Calcutta. This workable idea is based on the annual value of the trade, the number of months' consumption for which stock is usually maintained within the country, without being financed by the Exchange banks, and the period of transit within the country. My Committee have arrived at the tentative conclusion that the total amount of floating

finance required for the important lines of internal trade in Bengal comes to about 46 crores of rupees, the amount being made up as shown in the table below. They would suggest here that an attempt should be made to determine to a greater exactitude the total amount of the trade that has to be thus financed.

Commodity.	Amount of finance necessary	
	Rs.	
	(in crores).	
Cotton piece-goods	...	12
Wheat, oil and seeds, pulse and rice, wheat-flour and oil manufactured in India	...	8
Jute	...	6
Tea	...	2
Hardware and metals	...	2
Sugar	...	1½
Coal	...	1
Other food, drink and tobacco	...	1
Oils, vegetable and mineral imported from Burma and foreign countries	...	1
Drugs, chemicals and medicines	...	1
Vehicles	...	1
Shellac	...	¼
Dyes and colours	...	¼
Electrical goods	...	¼
Glass and earthenware	...	¼
Paper and stationery	...	¼
Woollen goods	...	¼
Ghee	...	¼
Species	...	¼
Miscellaneous commodities	...	7½
Total	...	46

This excludes the finance required by jute manufacturers, European merchants, export and import trade, industries—big and small—and other lines which are financed by the Imperial Bank, Exchange banks and joint-stock banks. Out of the said 46 crores of rupees only about 2 (two) crores of rupees are advanced by the Imperial or the joint-stock banks by the rediscount of hundis, etc. The jute balers are financed to the extent of about 50 lakhs by the banks. All the remaining capital is found either by private resources of the merchants or through the indigenous bankers. My Committee have reasons to think that about 50 per cent. of this capital is found by indigenous bankers through khata peta, hundis, purjas, etc., while about 50 per cent., i.e., twenty-two crores, are found from the traders' own resources. Therefore, roughly

speaking, twenty-two crores of rupees are found by the indigenous bankers when only about two crores are financed by the joint-stock banks and the Imperial Bank. It may be noted that this excludes the amount necessary for financing the various small industries which are wholly financed by the indigenous bankers, as well as agriculture.

My Committee would suggest that an attempt should also be made to collect similar workable figures for small industries, cottage industries and agriculture.

It is noteworthy, however, that several inroads have taken place in recent years into the domains of the indigenous bankers, specially affecting their resources and capacity. Chief among them may be mentioned—

- (1) the deposits attracted by the Exchange banks,
- (2) deposits attracted by the joint stock banks,
- (3) remittance operations carried on by the Imperial Bank,
- (4) Postal Cash Certificates,
- (5) loans floated by Government and public bodies, and
- (6) stocks, shares and debentures of limited companies.

While considerable money has been drawn into these channels, no reciprocal or compensating advantage has been conferred either on the indigenous bankers or on the sections of trade, industry, etc., which are financed by them. Nor has any system or organisation been brought into existence to take the place of the indigenous bankers even to the extent of such diversion. Neither has any attempt been made to link up the indigenous bankers with the modern banks or to strengthen their position in any way. Thus the modern banking organisation, to the extent that it has grown up in India, has failed to vitalise those limbs of production and distribution that are fed by the indigenous bankers. This has adversely affected the distributive trade and tended to concentrate business into a few strong hands. It has similarly affected the growth and maintenance and development of small industries.

There are several reasons which make it difficult for the indigenous bankers to be easily superseded by any modern machinery. The indigenous bankers by reason of their close touch with, and personal knowledge of, the debtors are able to deal with them in a simple intimate way, with or without security, and in a manner to which the Indian public (which is illiterate or non-conversant with modern methods) is accustomed. Furthermore, the indigenous bankers are able to deal in small amounts, on elastic terms of payment, etc., and without formalities. The indigenous bankers are also found in all towns and villages. Their extinction or depletion will be harmful to the economic interests of the country. Means should be devised to strengthen their position and utilise them as useful limbs in the economic constitution and for that purpose to link them up with modern banks. These banks should adopt an attitude of friendliness and co-operation with them. Where it is found uneconomical to start branches of banks, the method of indigenous bankers acting as agents of banks should be tried.

The indigenous bankers have not been utilised by the Government for the purpose of depositing with them the receipts by post offices, railways, etc., who daily transfer money from the smaller to the bigger

places thus increasing the need for currency, and reducing the velocity of circulation.

While the position of the indigenous bankers needs thus to be strengthened, it is necessary to remember that their resources are not sufficient for financing the building up of small or big factories or their working. The extent of unemployment in the country, the low standard of living, the necessity for the spread of education, the need for the adoption of better sanitary measures, all require the growth of industry. But this cannot be helped by the indigenous bankers due to paucity of resources, or by the Exchange banks that exist for foreign trade, or by the Imperial and joint stock banks which give short term loans and cannot therefore be relied upon for help by the Indian industrialists, at least the smaller ones. For this purpose it is necessary to bring into existence industrial banks. The machinery of the Department of Industries should also be utilised to that end. The State Aid to Industries Acts that are in operation in several provinces can be successful if the inherent defects therein are remedied. Firstly, the amount at their disposal is too small. Secondly, their machinery is too intricate. Thirdly, their terms are too rigid. What is really needed is that the Department of Industries should be trusted, and the amount that Government can allocate for the development of industries should be vested in the Board of Industries, so that the amount can grow from year to year. One of the functions of the Board would be to act as a fair-sized industrial bank in each province. Government may even lend to the Board amounts out of their borrowings and charge interests thereon. Technical objections are usually raised by Government that Government must have full control over their funds, but obviously there is no strength in such a contention. Where the question is of such a serious nature as life and death to the people, there is no reason why the Boards of Industries cannot be trusted in the same manner as the Port Trusts, Improvement Trusts, Municipalities, etc. But it is not advisable to rely on boards of industries alone. Industrial banks should be encouraged by Government. Government's policy of inaction in the past and the very fact that such banks are not in operation serve to show that a serious effort is urgently required to be made by the Government in that direction. The Government should even guarantee a minimum dividend at the start.

In the interest of the agriculturists, my Committee strongly urge the immediate establishment of land mortgage banks. These land mortgage banks should also have Government support and financial help in their initial stages. They are necessary for the redemption of old outstanding debts of agriculturists, for promoting agricultural improvements including purchase of modern implements, manure and seeds, sinking of wells, purchase of lands, building of farm houses, etc. These banks should be able to make adequate provisions for long-term credit ranging from, say, 5 to 25 years against sound securities to agriculturists. These land mortgage banks for agriculturists should be based on co-operative principles and should be conducted solely for the benefit of the co-operative community. Cases are quite frequent when people with good security to offer in the shape of immovable properties find it very difficult to raise money thereon. This difficulty is experienced by all classes—agriculturists, middle classes, professional classes, merchants, industrialists, etc. Separate land mortgage banks should be started in towns for helping such traders, etc. There seems to be a distinct advantage in starting land mortgage banks for the agriculturists on the co-operative system

and we may refer to the report of the Baroda Land Mortgage Bank Committee for this purpose. But the land mortgage banks in towns and cities need not be on the co-operative basis.

Last but not least is the necessity for increasing the joint stock banks or commercial banks. My Committee have depicted above the importance of the indigenous bankers. But they by themselves cannot satisfy the growing needs of industrialists for their working capital. Nor can they fulfil the requirements of advancing large sums of money against stocks and shares, Government promissory notes, etc. which are very necessary for the economic development of the country.

My Committee would also like to mention in brief here the method in which the Indian merchants engaged in the jute trade are financed at present. In view of the handicaps under which they are labouring, my Committee would also make some concrete suggestions for providing adequate financial facilities to them and for better marketing facilities of jute to ensure a better return to the cultivators.

Out of the total import of about a crore of jute bales, about 60 lakhs are imported by Indian merchants. The Europeans are able to get assistance from the Imperial Bank on hypothecating the stock of jute lying with them in their mofussil godowns. The Indian merchants engaged in the jute trade get no such facilities from either the Imperial Bank or any other bank. To finance the sixty or sixty-five lakhs of bales moved by the Indian jute merchants from the mofussil to Calcutta, a sum of about six crores of rupees is required. Deducting the advances by the Exchange banks or Indian joint stock banks to the jute balers against the stock of jute in their godowns which at the maximum is not more than 50 lakhs of rupees, the Indian jute merchants have to find about 5½ crores of rupees. From enquiries made amongst the members of this Chamber engaged in the jute trade, my Committee estimate that about a half of the total sum is found by the merchants themselves, whilst the other half is supplied by the indigenous bankers on the personal security of the borrowers. Some means therefore should be found whereby the Indian jute merchants can get adequate finance to carry on their business. To achieve this purpose my Committee would make the following suggestions:—

- (a) Arrangements for the supply of adequate finance through banking organisation, e.g., (i) by granting special facilities to indigenous bankers to rediscount their bills drawn for the purpose of financing jute; (ii) the establishment of a bank which should confine its activities mainly to the jute trade; and
- (b) The establishment of a jute market in Calcutta on the lines of the Sewri Cotton Market in Bombay, with ample warehousing facilities.

Unless and until there is a complete change in the management of the Imperial Bank the opening of branches by the Imperial Bank in all important jute centres will not serve any useful purpose. The European manager who comes into social contact with his European clients is able to keep himself in touch with their affairs, but about the Indian merchants he knows very little and invariably looks upon them with distrust.

To ensure a better return to the cultivators, my Committee make the following suggestions for improvements in the marketing of jute:—

- (1) Establishment of organised markets on the lines of the Berar Cotton Markets;
- (2) The starting of co-operative sale societies on proper lines;
- (3) Standardisation of weight and measures;
- (4) Fixation of definite standards of quality;
- (5) Educating the cultivators regarding the state of supply and demand for their produce and the necessity of regulating their production accordingly;
- (6) The establishment of a well-organised futures market on the lines of the East India Cotton Association of Bombay.

With regard to the investment habit and attraction of capital my Committee would suggest that India should have gold standard currency as that alone will have the effect of decreasing the habit of hoarding in gold. My Committee have no hesitation in stating that the investment habit of the people has suffered a setback due to their want of confidence in the safety of their capital invested in industries which, due to the ruinous exchange policy of the Government and their studied apathy towards the growth of new industries in India, are in a precarious condition. It is therefore at once imperative and essential for the Government to embark upon a policy of protection to industries with a view to increase the purchasing power of the people and their national income, and to attract to industries the dormant capital in the country.

M. P. GANDHI,
Secretary.

135, CANNING STREET,
CALCUTTA;
The 21st November 1929.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Jute is the most important agricultural produce of this province. Out of about 10½ million bales produced annually about six million bales are consumed by the mills in Calcutta and the remaining four and half million bales are exported out of India.

Question 1. (iii), (iv), (v), (vi) So far as the cultivators of jute are concerned, they with the exception of the professional money-lenders in the village never come into contact with any of the institutions mentioned in sub-question (iii) of Question 1. To tide over the period preceding the harvesting of their crops the cultivators either borrow from the money-lenders or take dadan from the jute merchants which means that they have to sell their jute to the merchants who give dadan.

Besides the cultivators, there is a large number of merchants engaged in moving the jute crop from the fields to the factory. These merchants are (a) importers, (b) balers and (c) shippers. The importers have purchasing agencies in the mofussil from where they buy jute from the

cultivators or the local small merchants, assort it according to the standards of quality prevalent in Calcutta, and press it into what are known as kutchra bales. These bales are then sent up to Calcutta and delivered to the jute mills if a sale has been made to them or are sold to the jute balers in Calcutta. The jute balers reassort the jute according to the standards prevalent in the foreign markets, cut its roots and re-press it by machine-operated presses into what are known as pucca bales. The shippers are the intermediary between the balers and the foreign consumer.

The total import of jute into Calcutta is on an average of the last five years about 105 lakhs of bales. Out of about 60 lakhs bales imported into Calcutta for local mill consumption about two-thirds is done by the European import-houses and about one-third by the Indian merchants. The proportion of jute imported by Indian merchants used to be much higher, but owing to certain unfair advantages which the European jute merchants get at the hands of the European mill agents the trade is gradually passing into the hands of the European merchants. It will be out of place to mention these advantages here as the subject does not fall within the scope of the enquiry of the Provincial Committee. Out of the forty-five lakhs bales imported into Calcutta for the export trade about forty lakhs are imported by Indian merchants. The European importers experience very little difficulty about the financing of their business. The Europeans are able to get assistance from the Imperial Bank on hypothecating the stock of jute lying with them in their mofussil godowns.

The Indian merchants engaged in the jute trade get no such facilities from either the Imperial Bank or any other bank. The only facility that they get is advances against jute lying in the Calcutta jute press-houses. Such accommodation on an average is not more than twenty-five lakhs or fifty lakhs of rupees at any one time.

To finance the sixty or sixty-five lakhs of bales moved by the Indian jute merchants from the mofussil to Calcutta, a considerable sum of money is required. The Indian importers get their money only when jute has been shipped and bills of lading or railway receipts are handed over to the mill or jute is actually brought into Calcutta and sold in the Hatkhola or Cossipore market. The total finance required by the Indian importers and balers cannot during the height of the busy season be less than six crores of rupees. This figure is arrived at in the following manner:—

The jute dealers and balers have to finance the jute—

- (a) lying in mofussil godowns pending assortment,
- (b) assorted jute lying in the mofussil awaiting shipment,
- (c) jute in transit either by rail or by Inland Steamship Company flats,
- (d) stocks of jute lying for sale in the various jute markets of Calcutta, such as Hatkhola, Cossipore, Fulbagan, etc.,
- (e) stocks of loose jute in the press-houses of the balers awaiting assortment and pressing,
- (f) pucca bales lying in the press-house godowns awaiting shipment, and
- (g) pucca bales lying in boats awaiting shipment by steamers.

The maximum quantity of jute thus held by the Indian jute merchants in all places mentioned above must be in the busy season about sixty lakhs of maunds. This at an average price of Rs. 10 per maund is worth six crores of rupees which is the amount of floating finance required for carrying on their business. Deducting the advances by the Exchange banks or Indian joint stock banks to the jute balers against the stock of jute in their godowns which at the maximum is not more than 50 lakhs of rupees, the Indian jute merchants have to find about five and half crores of rupees. The whole of this sum is found by the Indian jute merchants either from their own resources or through the help of the indigenous bankers. From enquiries made amongst the members of this Chamber engaged in the jute trade, my Committee estimate that about a half of the total sum is found by the merchants themselves, whilst the other half is supplied by the indigenous bankers on the personal security of the borrowers.

The shippers do not require much finance as they draw bills on the merchants to whom they have sold their goods and which bills they discount with the local offices of the Exchange banks.

It will thus be seen that in the movement of the jute crop through Indians, the banks play very little part. The Imperial Bank only makes advances to European jute merchants or grants cash credits to the jute mills against their stocks of raw or finished goods.

Some loan offices in Bengal make advances to jute merchants but the part played by them is insignificant. Some means, therefore, should be found whereby the Indian jute merchants can get adequate finance to carry on their business. To achieve this purpose, my Committee would make the following suggestions:—

- (a) Arrangements for supply of adequate finance through banking organisation, e.g., (1) by granting special facilities to indigenous bankers to re-discount their bills drawn for the purpose of financing jute, (2) the establishment of a bank which should confine its activities mainly to the jute trade and which should be predominantly controlled and managed by Indians, and
- (b) the establishment of a jute market in Calcutta on the lines of the Sewri Cotton Market in Bombay, with ample warehousing facilities.

Unless and until there is a complete change in the management in the Imperial Bank, the opening of branches by the Imperial Bank in all important jute centres will not serve any useful purpose. The European Manager who comes into social contact with his European clients is able to keep himself in touch with their affairs, but about the Indian merchants he knows very little and invariably looks upon them with distrust. The failure of a single Indian firm creates in the minds of the European manager doubts about all Indian firms whilst there is no such result in case of the failure of a European firm.

Some banks make advances to jute balers in Calcutta on the security of the stock of jute lying in their press-houses. When the jute is sold to shippers, the bank collects the proceeds from the shippers. Similar advances may be made to the jute merchants in the mofussil. If financial facilities are available, they will not be compelled to sell their jute as soon as it is purchased which they have to do now thereby depressing

the market; such depression is most injurious to the interests of the cultivators.

In Calcutta itself owing to want of financial facilities and proper storing accommodation, the jute merchants have to sell their jute as soon as it is imported. In Bombay, there are ample facilities for storing cotton in case the sellers want to do so. All the warehouses are located in one centre where the whole of the cotton that is imported into Bombay by the cotton merchants is stored. The cotton market too is in the same place where buyers and sellers meet together daily and are able to buy or sell cotton. No such facilities are available to the jute dealers in Calcutta though the volume of jute trade in Calcutta is in no way less than that of the cotton trade in Bombay. The jute that is imported into Calcutta for being sold to the balers is imported in the markets of Hatkhola, Cossipore, Ultadingi, Fulbagan and Shyambazar. The total storing capacity in these places is about 4 lakhs of bales. The godowns are not well built and are not situated near each other. If a market with proper warehouses can be established in Calcutta where all the imported jute can be stored, it will be a great facility to the buyers and sellers of jute. In case sellers elect to wait for better prices they will be able to do so as the banks will find it easier to advance money against jute that is properly stored.

Marketing of jute.

Question 2. (i) to (vii) Unlike the cotton cultivators in Berar, the jute cultivators very rarely take their jute for sale to the big jute centres such as Narayangunge, Dacca, etc., and sell it to the Calcutta import merchants. They generally sell their jute to the pharya, a small merchant, who collects jute from the cultivators and sells it to the import houses. The pharya for this purpose either visits the small villages or the hats where the cultivators bring jute for sale. In the absence of organised markets, the pharya is a necessary link between the import houses and the cultivators. He either employs his own money for carrying on his operations or is many times financed by the importers.

The present marketing methods of the jute cultivators are extremely crude. In selling their jute to the pharya, proper scales are not often employed. Only the weight of the jute is estimated and payment is made on that basis.

Besides, owing to lack of means, the cultivators are unable to hold back their crops for better prices. As soon as their crops are ready, they have to sell a great part of their produce in order to pay their land revenue, repay the loans taken from the money-lenders and to purchase the necessaries of life. The result of this dumping on the market of a major portion of the crop during a short period causes a depression in values. The jute market is always dull in the months of September, October and November when the crops are being marketed. It is only after the first rush is over that the arrivals of jute in the mofussil are to some extent affected by the prices ruling in the market.

To remedy these defects and to ensure a better return to the cultivators, my Committee make the following suggestions:—

- (1) Establishment of organised markets on the lines of the Berar Cotton Markets.
- (2) The starting of co-operative sale societies on proper lines.

- (3) Standardisation of weight and measures.
- (4) Fixation of definite standards of quality.
- (5) Educating the cultivators regarding the state of supply and demand for their produce and the necessity of regulating their production accordingly.
- (6) The establishment of a well-organised futures market on the lines of the East India Cotton Association of Bombay.

To enable the cultivators to market their cotton in a proper manner, organised markets have been established in Berar under an Act of Legislature. These markets are controlled by market committees whereon buyers and sellers are equally represented. The principal features of these markets are—

- (a) All buyers are registered.
- (b) All brokers are licensed and their charges fixed.
- (c) All scales and weights are certified by the Market Committee.
- (d) No unauthorised deductions by buyers from the price agreed upon is allowed.
- (e) Latest market information is made available to the cultivators.
- (f) Sheds are provided where cultivators bring their cotton for sale.

Owing to the facilities obtainable in such markets more and more cotton is brought for sale at these centres. In the case of jute no such facilities are available to the cultivators. Cases of manipulation of scales and weights by the small dealers are not uncommon. False objections regarding the quality of jute are raised in case weaker advices are received from Calcutta before payment is made to the cultivators. All these defects can only be remedied by the establishment of proper markets.

There are at present a few co-operative sale societies, but so far as the information of my Committee goes, they instead of working on co-operative lines are working like ordinary jute merchants. They make forward sales of jute to the mills in Calcutta and then deliver the same after purchasing in the mofussil like other merchants. Such methods are open to serious objections. There is a great risk of loss in case of an adverse movement of the market pending delivery and in fact some sale societies are reported to have fared badly on their forward sales during the last few years.

My Committee, therefore, suggest that for the purpose of effectively marketing the produce of the cultivators, co-operative societies working on proper lines should be established in every jute centre. Such jute centres are at present nearly one hundred in number.

The co-operative sale societies should collect jute from their members and sell it in the big jute centres. To enable them to advance money to their members, financial facilities secured on the stock of jute held by them, should through the agency of co-operative banks, be available to the co-operative societies on a reasonable rate of interest. Co-operative marketing will mean a better return to the cultivators.

Standardisation of weights and measures.

There is at present a multiplicity of weights and measures in the jute districts. Owing to the difference in weights and measures, it

is very difficult to compare prices ruling in different centres. The cultivators for this reason are never able to know whether they are getting the same price that the cultivator in some other district is getting. To do away with this difficulty, we suggest that the weights in all centres should be standardised.

Absence of definite standards of quality.

Owing to the absence of definite standards of quality in the jute trade, the jute mills in Calcutta are so able to manipulate the standards that there is a sudden fall in the price of jute. The various grades in use in the Calcutta market are nowhere defined. The quality of jute to be tendered against each grade varies at the will of the buyers. Suppose for instance, the grades are known as 1's, 2's, 3's and R's and the price for them is Rs. 12, Rs. 11, Rs. 10 and Rs. 9 per maund respectively. After buying some jute, the mills stop buying No. 1. In the absence of business for No. 1 grade, sellers begin to tender the jute that they tendered in No. 1 against sales of No. 2. This means that the standard of measure appreciates and this is tantamount to increasing the length of a yard. Like this No. 2 also disappears after some time. It was like this that the grade R's became the top grade last year. A change was made again this year. Sellers were given to understand in the beginning of the season that rejections will be the bottom grade, but it has already appreciated so much that quite good jute is tendered against it. This manipulation means a loss of several crores of rupees to the jute cultivators.

Regulation of supplies.

This is a most important question from the agriculturists' point of view. In the season 1925-26 owing to unfavourable weather, the jute crop was expected to be a very short one. The price of jute soared up to Rs. 140 per bale. The cultivators experienced a sort of unprecedented prosperity. But the very next year they produced a bumper crop. Prices came down from Rs. 140 to as low as Rs. 55 per bale. In spite of the fact that the crop was a big one, the cultivators on the whole got less than what they got with a short crop. The 90 lakhs bale crop must have been marketed at an average price of Rs. 100 per bale which means a total of ninety crores of rupees. The 125 lakhs crop could not have been marketed at a price above Rs. 60 per bale. The total return therefore was 72½ crores. During the last three years, cultivators have been producing jute in excess of actual requirements of the world. The consumers have been able to stock in their godowns jute enough for several months consumption. Due to this, they are in a position to keep out of the market when the cultivators are most anxious to sell. If the production of jute can be scientifically controlled, there is no doubt that the cultivators will be in a position to get much more for their produce than what they are getting now.

Futures markets.

The establishment of a futures market in Calcutta for dealings in jute on the lines of the New York Cotton Exchange and the East India Cotton Association of Bombay will confer a great benefit on the jute cultivators. The establishment of such markets ensures greater facilities to buyers and sellers of jute. They make it impossible for

any one section of the trade to combine. Before the establishment of the New York Cotton Exchange, Liverpool used to control the price of cotton which is not so now. The very fact that the London Jute Association and the European interests in Calcutta are decidedly opposed to the establishment of such a market goes to prove that it is in the interests of the cultivators to have such a market.

(viii) to (xvii) The existing facilities for internal remittance available to the public consist of:—

- (1) Bank drafts, telegraphic transfers and cheques.
- (2) Darshani hundies and muddati hundies.
- (3) Postal money-orders and telegraphic money-orders.
- (4) Remittance under registered and insured covers.

The use of cheques, drafts and telegraphic transfers is limited only to big towns and cities where banks in existence offer such facilities and the commercial community is sufficiently advanced to avail itself of the same.

By far the most important means of internal remittance among Indian merchants consists of darshani and muddati hundies and cross transactions, but these are not availed of in this province to the extent that they are in other provinces.

Different classes of hundies in vogue in this province are—

- (1) Darshani hundies or sight bills payable to bearer or order on demand (shah jog and dhani jog).
- (2) Muddati hundies or usance bills.

My Committee beg to suggest that the reduction of stamp duty on muddati hundies and standardization of the forms of hundies printed in different languages on stamped paper will greatly help in popularizing them amongst the trading classes. The abolition of duty on cheques and demand bills has no doubt resulted in the increased use of these and my Committee feel sure of similar result in the case of usance bills, if the stamp duty is reduced, if not abolished for the present.

The existing co-operative credit societies can also help a great deal in the matter of internal remittances, if they were to open accounts with each other and adopt the use of demand drafts and sight bills to a large extent for the purpose. The indigenous bankers have been doing all that they can in this direction but the difficulty of discounting and rediscounting such bills stand in their way.

Facilities for discounting and rediscounting hundies are not what they should be, as mentioned above. The indigenous bankers should be provided more facilities for rediscounting their hundies by the Imperial Banks of India and other joint stock banks.

The banking habit being insufficiently developed and the number of Indian joint stock banks being small, the use of railway receipts, warehouse owners' receipts, bills of lading and other documents of title to goods for advances is comparatively small and there is great room for increasing their use. The establishment of licensed warehouses in trade centres and near the railway stations will also greatly help the traders to store their goods and make use of the receipts for taking advances against them.

Land mortgage banks.

Question 4. There are no land mortgage banks in this province for providing long-term credit, and my Committee strongly urge the immediate establishment of such banks. These are necessary for the redemption of old outstanding debts of the agriculturists contracted at very high rates of interest, and for promoting agricultural improvements including purchase of modern implements, manure and seeds, sinking of wells, purchase of land, building of farmhouses, etc. These banks should advance money for a period ranging from 5 to 25 years against the security of land and landed properties to agriculturists.

Government should provide to these banks their initial capital. After these banks commence working, they will raise their working capital by issuing debenture bonds which the Government should guarantee, and by receiving long-term deposits. Gradually as the banks get established, the initial capital provided by the Government will form only a small part of their total working capital. In the initial stage the Government should give a subsidy to the banks towards their working expenses.

The banks should be of co-operative nature and should be so constituted that each borrower must invest a definite portion of his borrowings in the shares of the banks. When a certain limit of the borrowers' share capital is reached all further share capital should be thereafter utilised to replace the Government money. In the initial stages the Government may nominate a few persons on the directorate of the banks while others may be elected by share-holders and bond-holders. The representatives of this latter class should increase in proportion to the increment of the share capital in these banks.

The repayment of loans by the borrowers should be by amortisation, to enable them to pay the same out of their savings. The rate of interest charged should not be more than one or one-half per cent. higher than the interest paid on debentures. This difference should be able to cover the bank's working expenses after the banks have been a few years in working and are systematised. It is desirable that the bonds of these banks should be included in the list of trustee securities.

The Committee also recommend that land mortgage banks should be established in towns for the benefit of merchants, traders, middle class people, etc., who, at present, cannot raise any money on the security of their land or buildings, from the joint stock banks. Such land mortgage banks need not be on the co-operative basis like the land mortgage bank for the agriculturists.

Question 5. The total indebtedness of the agriculturists of India has been estimated at between 600 and 800 crores of rupees. Whatever it may be, the fact remains that speedy measures must be devised for increasing the credit facilities to them, and an attempt to estimate such indebtedness more accurately will in no way help in devising the means for such facilities.

Question 6. There are a large number of small and widespread cottage industries in Bengal such as hand-loom weaving, hand-spinning, brass and bell metal manufacture, soap manufacturing industry, tanning industry and others like bamboo basket industry, button industry, glass manufacture, horn industry, paper industry, rope-making, umbrella-handle making, sugar-manufacture, dairy

farming, etc. The hand-loom weaving industry is the most valuable and important cottage industry of Bengal. There are areas where practically the entire population is dependant on hand-loom weaving and subsidiary occupations as their principal source of livelihood. Due to the spread of the movement for purchase of swadeshi cloth, the hand-loom industry is making headway and consumes more and more of mill-made, hand-spun and foreign yarn.

(ii) The Department of Industries should be able to assist these industries in several ways, for example, by giving them financial help, by teaching improved methods of working, by demonstration, by preparing estimates for manufacturers, by getting information regarding cost of production, etc., from foreign countries, by providing better marketing facilities, etc.

(iii) The various cottage industries enumerated above and others which exist in the province can, as found suitable to individual circumstances, be brought into aid by the farmers to augment their income and to provide employment to them during periods when labour is not necessary on the farms. The industry which easily suggests itself to my Committee for providing employment to the farmers during seasons when their labour is running to waste, is the hand-loom weaving and hand-spinning industry. Such supplementary income is absolutely necessary in India where the earning of the agriculturists from land is very poor. For strengthening and improving the economic condition of the raiyats, it is necessary to induce them to make use of the time in some such enterprises which require no heavy outlay of capital and which can be carried on at home.

(iv) The working capital for such enterprises can be provided by co-operative societies.

Question 6A. (i) Small industries like oil mills, rice mills, jute presses, flour mills, hosiery manufactures, saw mills, metal works, foundries, tanneries, etc., which are neither supplemental to nor connected with agriculture, are financed at present either by capital owned by the promoters or by the indigenous bankers. So far as my Committee are aware, of the 80 lakhs of rupees of capital employed by rice mills in Calcutta, not even one lakh is provided by the joint stock banks. The Imperial Bank is unable under its present constitution to make loans for a period longer than three to six months. The example of the rice mills may be considered illustrative of the various small industries existing in the province.

(ii) My Committee would suggest that better financial facilities for such industries should be provided without any further delay and to that end, recommend the establishment of industrial banks in the absence of which not only their progress in ordinary times is hampered, but their very existence is imperilled in times of crisis. The fixed capital necessary for starting the industries may be found by the owners but with regard to the working capital, industrial banks must come to their assistance. On various occasions, these small industries have to close down or to run at a loss because the working capital necessary for them is not available. My Committee would emphasise here that the problem of the small industries should not be neglected as the salvation of India lies in the development of many such small industries in different parts of the country.

Question 6B. (i) As far as the information of my Committee goes, the facilities existing in Calcutta for obtaining loans by people who are not agriculturists, that is, by small traders, clerks, middle class gentlemen, etc., are—

- (1) Pawn shops or loan offices advancing against jewellery, furniture, etc.
- (2) Small merchants or poddars advancing only against gold and silver and on rare occasions on personal security.
- (3) Mirzapurees or up-country men advancing small sums to gowalas, jamadars and small dealers.
- (4) Kabulis.

(ii) The purposes for which they generally borrow are too numerous to be detailed here but it may be observed that the loans are taken generally for—

- (a) tiding over periods of unemployment which is greatly increasing, especially amongst the middle classes, of late, due to the depression in the various industries as a result of the unsympathetic Government policy in regard to currency and industrial development,
- (b) for occasions like marriage and other ceremonies, and
- (c) for sicknesses, etc.

The rate of interest paid by them varies from 18 to 300 per cent. The rate of interest for secured loans is generally slightly lower than that of unsecured loans.

Amongst the lenders of money mentioned above, the activities of the Kabulis, owing to reasons set forth below, require to be suppressed by law. Not only do they charge an extortionate rate of interest which sometimes is as high as one anna per rupee per day, but in the collection of their advances they employ most cruel, revolting and torturous methods. To compel the survivors of a debtor who is dead they even go to the length of committing sacrilege on the dead body of their debtor. This is very repugnant and should be put a stop to.

Part II.—Indigenous Banking.

Question 1. The indigenous bankers transact the following kinds of business:—

- (a) Receiving deposits on interest.
- (b) Keeping valuables in safe custody.
- (c) Advancing money for fixed periods on security or without security either on promissory notes, muddati hundies or by discounting hundies.
- (d) Giving loans on current account or khata peta.
- (e) Effecting remittances by giving hundies drawn on persons in other places.
- (f) Dealing in bullion, piece-goods or hardware. Generally he combines his banking business with some other business.
- (g) Acting as commission agents or challaniwallas for the merchants in the interior.

Question 2. They render very substantial help to the trade of the city of Calcutta as well as the interior of the province of Bengal.

They advance money to traders on hundies or rediscount hundies. They finance trade very substantially as challaniwallas or commission agents. Usually they buy goods in Calcutta for cash and despatch them to the interior. Where payment is made by the traders in the interior immediately on arrival of the goods, the challaniwallas have only to finance during the period of transit of the goods from Calcutta to the station in the interior. But generally they give long credit to the traders up-country. The traders up-country in their turn give credit to their buyers who may be agriculturists of the place or retail dealers and personally known to them. They play an equally important and useful part in financing trade from the interior to Calcutta. The indigenous bankers provide facilities for remittance of money to and from Calcutta through the medium of hundies drawn on them from the interior, or hundies drawn by them on their agents in the interior.

Question 3. While it is almost impossible to give accurate statistical information as to the capital and volume of business financed by indigenous bankers, my Committee have estimated that the finance provided by them is not less than 22 crores of ruppes for Bengal. Some idea of their usefulness can be obtained from the fact that banks finance practically nothing of the exports from Calcutta to the interior. All this trade is financed by the challaniwallas or traders of Calcutta.

Almost all the hundies rediscounted with the Imperial Bank and other joint stock banks bear the signature of shroffs. The amount of the hundies rediscounted by the indigenous bankers in the banks is only a very small fraction of the loans made by them to merchants.

The indigenous bankers help each other. They lend money to each other on khata peta and their relations are generally friendly. They have got to be in good offices with the Imperial Bank with which they rediscount their hundies for larger amounts than with any other bank.

The other joint-stock banks also rediscount their hundies but to a negligible extent. The banks are also their rivals, because before the development of joint stock banking the indigenous bankers had large amounts deposited on current account with them. These amounts are now largely transferred to joint stock banks and foreign exchange banks which have in this way become their rivals. On the other hand, these banks are generally not inclined to advance money to shroffs on rediscounts.

These indigenous bankers are able to manage their business cheaply. They are very economical in their mode of life and put in a good deal of personal labour. In many shroffs firms, a number of members of the same family work for long hours at their business.

While the Imperial and other joint stock banks have made inroads into the business of the shroffs by attracting deposits at lower rates of interest and investing on first class security and thus weakened their ability to finance trade and industry, they have not been providing facilities to the business community to the same extent and on the same easy terms that the shroffs do. The shroffs take a personal interest in their business and possess a close knowledge of the business of their clients. They are also socially in touch with the business community. The Imperial Bank which stands at the apex of the

banking system of the country and which, on account of its special position as Government banker, commands the widest confidence, is more out of touch with the Indian mercantile community than any other banking institution in the country whether indigenous, or joint stock, foreign or Indian.

Even the foreign exchange banks are in closer touch with the business community than the Imperial. They are more liberal in their dealings with their clients than the Imperial. To help the foreign trade, they are prepared to give credits and make advances to merchants engaged in foreign business. Sometimes parties whose proposals for financial facilities are turned down by the Imperial Bank receive accommodation from the Exchange banks in their foreign business.

Most of the executive posts in the Imperial Bank are very largely filled by foreigners who do not possess an intimate knowledge of the Indian people and their ways. As the bank gets large funds free of interest from Government and thus is able to show large earnings, its officials unlike those of other banks, adopt a very rigid policy with regard to accommodating trade and commerce. If the Imperial Bank were to become a little less rigid in its way of business and were to take an interest in the development of the business of the shroffs, it can render very valuable assistance to the cause of the advancement of banking.

Question 5. The indigenous bankers advance loans on (1) promissory notes, (2) muddati hundies, (3) khata peta or current account—(4) rediscounts. Promissory notes are payable on demand. The period of usance of muddati hundies is generally 60 days and sometimes 90 days from the date of drawing. Moneys advanced on khata peta are payable on demand. The rate of interest charged on khata peta accounts varies from six and three-fourths to 9 per cent. per annum. The rate of interest on promissory notes or purjas is generally from two to nine per cent. according to the conditions of the money market. The rate of interest on muddati hundies varies widely according to the standing of the borrower and the condition of the market. It ranges from four to 18 per cent. Hundi transactions are generally arranged by hundi brokers on whose reports the shroffs place considerable faith. Sometimes the smaller shroffs go out themselves to make enquiries and lend money after personal enquiries from friends and business competitors of borrowers. During the period of the loan they make enquiries from time to time and as they are themselves very often engaged in commission agency business and deal in most of the important commodities of trade, they manage to keep themselves very well informed of the position of their borrowers. They are thus able to advance loans to reliable persons and firms though they may possess small means. The Imperial or other joint stock banks could never bring themselves to deal with the small traders with whom the shroffs deal. Many a small traders are thus enabled to borrow money on their personal liability which they could never get even with some security from a bank.

At present the indigenous bankers or shroffs carry on their business very largely with their own funds. With the growth of banks in big centres, money that would have been deposited with shroffs is now being deposited with banks. Shroffs have generally got branches in the mofussil where they still get deposits. Another method by which

they get funds is by rediscounting the hundies against which they have advanced money. The hundies are largely rediscounted with the Imperial Bank. One or two Indian joint stock banks also rediscount hundies for limited amounts. The rate of interest paid by shroffs for money borrowed by them is generally low. The highest rate is about the rate of rediscount of the Imperial Bank. Shares of joint stock companies, Government securities and Postal Cash Certificates are generally growing to be formidable rivals of shroffs for the attraction of surplus funds. Surplus money which formerly used to go to shroffs and through their medium to flow out for financing trade and industry is now being diverted to different channels and some of it which is invested in Government and Post Office securities does not become useful for the benefit of the indigenous trade and industry.

My Committee are not averse to Government borrowing money for its requirements from the country. In fact they have been strongly opposed to foreign borrowing and have always advocated Government giving opportunity to Indian investors to invest in Government loans. What they would like to point out here is that the Government must feel a corresponding obligation towards the Indian agriculturists, traders and industrialists who are producers of national wealth and for helping them should introduce proper banking organisation.

Question 7. Not only is there no prejudice against indigenous bankers, but they are considered to be very useful to the business community. They conduct their banking business on absolutely sound lines.

Question 10. The indigenous bankers are not able to meet all the demands for accommodation due to lack of funds. Some of the reasons why deposits with them have been diminishing are stated above.

Part III.—Investment Habit and Attraction of Capital.

Question 1. The existing institutions for encouraging savings and investment habit are—

- (1) Postal Savings Banks and Cash Certificates.
- (2) Joint stock banks and companies.
- (3) Savings bank departments of joint stock banks.
- (4) Co-operative societies.
- (5) Loan offices.
- (6) Insurance companies.
- (7) Indigenous bankers.

Postal Savings Banks are generally used by salaried, and poorer classes of people, while the agriculturists' savings and investments, if any, are deposited with the co-operative banks and societies, loan offices, or with the indigenous bankers to a small extent.

Joint stock companies and banks derive their funds mainly from the middle and rich classes.

The banking facilities provided at present in mofussil are insufficient in proportion to the needs of the people of the province. They

could be considerably improved by encouraging the indigenous bankers and the co-operative societies.

The slow growth of savings and investment habit in India is due to there being a very meagre margin between the average individual income and the cost of living. Generally no saving is left at all. On the contrary in many a case, specially that of the agriculturists, the position is quite the reverse and instead of saving they are left in debt from year to year.

Another reason of the slow growth of this habit is their illiteracy. Due to illiteracy they are not in a position to utilise the post-office, banks, insurance companies, or similar institutions, advantageously. The growth in this habit will increase with the growth in education and literacy.

Much is talked about the hoarding habit of the Indians, and vaguely too. But on considering the import of gold in India during this century the average comes to only a little over 8 annas per head per annum. Whatever habit of hoarding gold there is, will automatically decrease when confidence is inspired in the minds of the people by gold currency in actual circulation.

Another reason why Indian capital is so shy is due to the Government's ruinous exchange policy and studied apathy towards the industries in India. These are in a precarious condition and people have no confidence in them and they will not feel safe with regard to the money they may invest in such industries, unless the Government embarks upon a policy of protection to ensure their development for the welfare of the country.

Question 2. Postal Cash Certificates are convenient and popular amongst the educated middle classes. The rates of interest are sufficiently high for attracting deposits and from the point of inculcating the habit of investment, they need no revision.

There is no doubt that these Postal Cash Certificates compete with the indigenous bankers and joint stock banks due to their attractive rates of interest.

Questions 4 and 5. The cheque habit is growing, though slowly. The abolition of stamp duty has considerably encouraged this habit. This habit would receive further encouragement if banks would accept the principal vernacular scripts for cheques, pass-books, paying-in-slips and other allied documents, and also if banks could adopt measures for effecting quicker payments of cheques, and at times be less rigid regarding the working hours. My Committee favour the idea of paying Government servants, employees of banks and offices by cheques when such payments amount to Rs. 100 or over, as they are sanguine that this will tend to develop the banking habit and thrift.

81.

The Bengal Chamber of Commerce.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) By "agriculturist" it is presumed that the raiyat is meant rather than those engaged in, for example, the tea industry. So far as the raiyat is concerned, the Chamber is hardly in a position

to give first-hand information because ordinarily members deal not direct with the raiyat but only through the middleman. Generally speaking, and particularly in the case of the jute districts, the raiyat is now in a position to hold up his crop for a price; and this being so, he has funds in hand to help him in his ordinary finance, certainly to a greater extent than was formerly the case.

Question 2. (i) In different cases different methods are carried out; sometimes, for example, the raiyat markets his crop himself, and sometimes he does it through a middleman. As indicated in the preceding answer, the general wealth of the raiyat has considerably increased within recent years, so that he is better able now to hold up his crop for a higher price than he was ten years ago.

(ii) In the opinion of the Chamber the free flow of trade is much to be preferred to the formation of pools. A notorious instance of the injurious effect of such pools on the general population is to be seen in the position of some commodities in the Calcutta bazar at the present moment: some aspects of trading conditions in this market have recently been attracting considerable public attention on account of the harm done by the pools.

(iii) There are such societies in Bengal. The Chamber understand that they are constituted under the Co-operative Societies Act and financed partly by capital subscribed by members of the society, and partly by loans from the Imperial Bank of India and the indigenous banks. It is believed that they do not experience difficulty in obtaining sufficient funds provided they have security to offer.

(iv) and (v) There is no material difference in principle. In the inland section of the trade the railway receipt takes the place that is taken in the foreign trade by the bill of lading, and advances are obtained on the railway receipts from established banks and indigenous bankers.

(vi-b) The upcountry markets are now in receipt of the most comprehensive information regarding the prices of commodities, and the position is such that the cultivator always gets a full price for his product. In the case of agricultural produce the Chamber does not know of any instance where the price is controlled by a single organisation; the number of competing purchasers is always in itself a factor which keeps prices at their natural level. In the case of jute, for example, the price in London is commonly lower than the equivalent price in Calcutta and the jute-growing areas on the same day, a position which is due to speculation in Calcutta and in London, with weak holders anxious to unload their stocks, and similar causes; and large consuming interests at home do their purchasing there instead of establishing an agency here for the purpose. These facts all indicate what has been stated above, that on any particular day the cultivator gets the full world value for his product. When there is a sudden drop in the market the person who loses in the first instance is the middleman, not the raiyat.

With regard to the last sentence of the question, the Chamber has no observations to make because, as they have said, the raiyat always obtains the full world value for his produce.

(vii) The main reason for the lack of banking facilities in many districts is the absence of sufficient business to attract the banks; in other words, the banks will always go where there is business for them.

As things are, definite standards do exist but it must be admitted that it is difficult to conceive of practical means whereby such standards will be observed—a position which prevents the banks from giving advances more freely than they do.

(viii) The Imperial Bank sends remittances to wherever there is a branch of the bank and in addition to this it is possible to make remittances through the post office. In many areas in the country, however, the main channel for remittance is the bania's hundi. It is of interest to note in this connection that according to the report of the Controller of the Currency for 1928-29, the proportion of the finance for the jute crop remitted through Government and the Imperial Bank is approximately only 40 per cent. of the total.

(ix) Speaking generally, the main defect in the existing system is the expense of remitting in outlying districts, and particularly where there are no banks. It is natural that an increase in the banking facilities would cheapen remittance. The most obvious suggestion for improvement is therefore the extension of internal banking, but meantime every possible facility should be given to encourage and to cheapen other methods of remittance. The chamber still considers that it was a mistake for the Government of India to amend the Currency Notes (Refund) Rules of 1921, as they recently did, with a view to discouraging, while not entirely prohibiting, the practice of cutting notes. The Government of India themselves recognised that exception could be taken to the amendments they proposed on the ground that the risk of remittance by post would be increased, but they considered that the public would not be seriously inconvenienced if notes were never cut for remittance by post in view of the facilities for cheap remittance available through Government and the Imperial Bank. It is true that commercial opinion throughout India is not unanimous on this subject, but unanimity could hardly be expected in view of the fact that conditions of trade vary in different parts of the country. And only two years ago the Chamber recorded the opinion that, so far as regards the area in which members of the Chamber are concerned, the system of note-cutting definitely is a convenience and an advantage, as the facilities for remittance made available by Government and the Imperial Bank have not yet reached a stage so advanced as to enable merchants and bankers to dispense with the practice of cutting. The new rules make it definitely more difficult to obtain refunds in respect of lost notes, a fact that of course inevitably reacts on the cost of remittance.

(x) The part played by negotiable instruments in the internal trade of the province is represented by the hundi drawn by the upcountry bania on his agent at the port.

(xi) To overcome the cost of the duty, a system has been evolved which in fact does away with bills. A bill has to be met at a certain date, and it has been to a large extent ousted by the *Purja*, which can be paid at any time. From the point of view of a bank the bill is the more satisfactory instrument, the disadvantage of the *Purja* being that it is not a negotiable instrument, and for this reason it is possible that a reduction in the duty on bills might possibly lead to their more extensive use; but it is not easy to affirm definitely that it would do so.

(xii) To make the use of standardised forms compulsory would, in the opinion of the Chamber, interfere with the use of hundis, as the document would, by being standardised, be deprived of the personal character which is a marked feature of the hundi.

(xiv) There is attached hereto a copy of a letter No. 3245 (not printed) which the Chamber had occasion to address to the Government of Bengal, Commerce Department, on 23rd December 1924 with reference to a proposal for the consolidation of the law relating to negotiable instruments. The letter dealt with the subject broadly, but it may be of interest to the Enquiry Committee.

Mention may further be made of a recent case in the Calcutta High Court, in which it was held that an inland bill is a bill which is payable in India irrespective of where it may have been drawn. This decision is contrary to the interpretation that has hitherto been put by bankers and merchants on the provisions of section 11 of the Act, their view being that the section provides two necessary conditions for an inland bill, namely, that it should be drawn or made in British India and that, when so drawn or made, it must either be drawn on a resident in British India or be payable in British India. An appeal was not taken against the decision, but it emphasised the necessity of amending the section in the Act.

Again, in a case some years ago in the Bombay High Court, concerning a hundi payable to bearer, it was held that the negotiability of an instrument payable to bearer might be restricted by endorsement. Following on this case Chambers of Commerce have for some years pressed that the law should be amended to provide that negotiable instruments expressed on the face as drawn to bearer should not lose their character as bearer instruments on account of their having been endorsed, this position representing what had hitherto been the ordinary commercial practice. A Bill to this effect was brought forward by the Hon'ble Finance Member in the Assembly at the last Simla session, and a motion that it should be referred to a Select Committee was defeated, one of the grounds apparently being that the subject should be postponed pending the report of the Banking Enquiry Committee.

Another change which the Chamber would like to see made has reference to the endorsement of demand drafts drawn by one branch of a bank on another branch of the same bank so as to provide protection to the bank from liability where the endorsement is afterwards found to be forged or without authority. The law in this country is doubtful as to whether such protection is in fact afforded, and a Bill has recently been introduced in the legislature by Government to extend this protection to banks.

(xix) The Chamber is of opinion that a system of licensed warehouses such as that referred to would not work satisfactorily in India.

(The remaining questions in this section and also section 1A relate mainly to matters which do not come under the direct observation of the Chamber, and it is not proposed, therefore, to deal with them.)

Part II.—Indigenous Banking.

Question 1. Indigenous bankers may be divided into two classes in Bengal—shroffs and mahajans. The mahajan is the country money-lender, whilst shroffs confine their operations to Calcutta and the larger towns. They trade on their own capital, and do not as a general rule accept deposits from the public. Any deposits received by them are usually from relatives or from friends by private arrangement.

The shroff does not confine himself now-a-days strictly to banking, but as a rule he carries on a commission agency business in addition to his banking activities. The shroff discounts trader's bills, and makes loans on the security of demand promissory notes, pledge of goods and ornaments, and mortgage of immovable property and documents of title to goods. He also advances against *Purjas*, i.e., a form of deposit receipt which usually reads as follows:—

To (name of lender or depositor) from (name of borrower) greeting.
We have to-day received from you Rs.....which we have placed to credit of your account.

Signature of borrower.

(any stipulation as regards repayment or interest is entered in the Cash Book and Ledger, not on the receipt), also against *hath chittas*, i.e., acknowledgments of advances in current account.

Question 2. He finances agriculture, trade and industry by the foregoing methods. He assists in moving the crops by the purchase of demand drafts upcountry drawn on the ports representing consignments of produce.

Question 3. This information is not at the disposal of the Chamber. Indigenous bankers interlend and also re-discount bills with the Imperial Bank and joint-stock banks. As far as the Chamber is aware, they have no relations with co-operative banks.

Question 4. Forms of hundis and credit instruments are given below, namely:—

Inland hundi—

To A of Bombay we B from Calcutta send our greetings. We have drawn a hundi for Rs.....favouring C dated so and so, currency so and so (either with grace or without grace) which please pay through a respectable firm on due date in current money.

The date, month and year.

Signed either by the proprietor of the firm or by their constituted gomasta or attorney.

Inland Bills as a rule are always signed above the document with a request from the drawer to accept same in time.

Local hundi—

To A of Calcutta we A from Calcutta send greetings. We have drawn a hundi for Rs.....favouring C dated so and so, currency so and so, without any grace which we promise to pay through a respectable firm on due date in current money.

The date, month and year.

Signed either by the proprietor of the firm or by their constituted gomasta or attorney.

Local hundis are accepted as a rule on the back.

Purja—

To A of Calcutta we B from Calcutta send our greetings. We have this day (date, month and year) credited you in our account with the sum of Rs.....received through C (name of the man who brought the money).

Signed B by the pen of H.

The Purja is also signed by the proprietor of the firm or by their constituted attorney.

Question 5. (i) Advances are made by indigenous bankers—

- (a) by discount of hundis for varying terms without security if the borrower's credit is good;
- (b) simple receipt and entry of the transaction in a ledger to debit of the borrower as already described in the answer to I above, and Purja;
- (c) D. promissory note and mortgage of property;
- (d) when acting in the capacity of a commission agent the shroff advances against produce placed in his possession.

Interest may vary from 6 per cent. upwards according to the security offered.

(ii) Indigenous bankers usually trade on their own capital, accept deposits from relatives and in some cases from their friends by special arrangement but do not generally accept deposits from the general public. They also inter-borrow and re-discount bills in their portfolio with the Imperial Bank of India and joint-stock banks. They also at times borrow from the banks by mortgaging their property.

(iii) As far as the Chamber is aware, the interest allowed on deposits is in the region of 6½ per cent.

(iv) Yes, indigenous bankers in Calcutta and other principal towns in Bengal get sufficient facilities for re-discounting hundis with the Imperial Bank of India and with joint-stock banks.

(v) No. The facilities afforded to them are in keeping with their individual means and standing.

Question 6. The Chamber is not in the position to answer these questions, which are matters that concern the district local authorities. It must be remembered that in making advances to cultivators, etc., the banker runs very big risks and is therefore entitled to a good return by way of interest.

Question 7. (i) As far as the Chamber is aware, there is no prejudice against the indigenous banker; on the contrary he is usually regarded with respect.

(ii) In the opinion of the Chamber, these bankers are sufficiently protected in law.

(iii) The Chamber has no recommendations to make.

Question 8. (i)-(iii) The Chamber has no recommendations to make.

(iv) The Chamber is of the opinion that the indigenous banking community would naturally resent the introduction of any measures for regulating their operations and for giving publicity to these.

Question 9. The Chamber has no information on this point at its disposal.

Question 10. Under normal conditions they are able to meet all demands for accommodation from their own working capital and the facilities that are offered to them by the Imperial Bank of India and joint-stock banks for the re-discount of their bills and the discount of their accommodation bills drawn by one shroff on another; it would appear that, in common with other banks, they are obliged at times to refuse accommodation owing to the decline in the credit of their borrowers, and the security offered may not always be acceptable to them.

Question 11. (i) The shroff is already linked with the central money market by the facility afforded to him by the Imperial Bank of India and joint-stock banks by the re-discount of his trade bills and by discount of accommodation bills drawn by one shroff on another, and by the other facilities he can obtain from the Imperial Bank such as cheap transfer of funds.

(ii) In the opinion of the Chamber, it would be advantageous if branches of banks of first class standing were opened to co-operate with the indigenous bankers and assist in linking them up more directly with the main money markets of India and so ensure the freer movement of funds according to the requirements of the district.

(iii) By assisting them when necessary, and taking on current or deposit account their surplus funds when they hold such, and by giving them loans when required.

(iv) This question does not arise, as the operations of the two classes of bankers are different and do not conflict.

Question 12. (i) With the existing facilities afforded for remittances the Chamber does not think that there are in the hands of the indigenous bankers funds which do not find employment throughout the year. Temporary surplus funds are, in Calcutta, invested in short term deposits with joint-stock banks and purchase of short dated Treasury Bills when available. The indigenous banker may safely be left to see that his money is not lying fallow.

(ii) and (iii) As the financial requirements of districts are purely seasonal, money is bound to flow to the provincial centres when it can no longer be employed remuneratively in the districts, and in these circumstances it is not possible, in the opinion of the Chamber, to devise any method by which it could be retained in the districts; this matter is regulated purely by demand.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i), (ii) and (iii) Means for encouraging the habits of saving and investment are provided by the Imperial and joint-stock banks and co-operative banks and by the post office through their Savings Bank Departments and Postal Cash Certificates, and Government securities may be purchased through the post office or the banks.

Investment could probably be further encouraged by simplifying the Post Office Cash Certificate system and procedure.

(iv) and (v) The facilities appear adequate but perhaps are not sufficiently well known in the districts.

(vi) The poorer and uneducated classes in the district follow the general practice of investing their savings in gold and silver ornaments, the middle and educated classes take advantage of the facilities for investment above referred to or purchase immovable property.

Question 2. (i) Postal Cash Certificates are popular as far as the Chamber knows. The rate of interest is quite high enough already. The Post Office rules under which the Certificates are issued and repaid are, however, cumbersome and might be simplified.

(ii) The present return on Postal Cash Certificates if held for the full period of five years is about $5\frac{3}{4}$ per cent. simple and well over 5 per cent. compound interest. This is a higher rate than banks can in normal times afford to pay for deposits, and has possibly attracted money which otherwise would have gone to them.

(iii) In the opinion of the Chamber yes, as most villages have their post offices.

(iv) See answer to Question 1 (vi).

(v) See answer to Question 1 (iv).

(vi) No.

Question 3. (i) Government securities of small or large amount may be purchased through the Government Post Office, the Imperial Bank of India and other banks and the facilities afforded appear to be adequate.

(ii) Securities other than those of Government may also be purchased through the agency of banks.

(iii) and (iv) These are matters on which the district authorities alone can express an opinion, but owing to the lack of education hoarding is indulged in to a very large extent in the rural districts.

Question 4. (i) Cheques are now used for the payment of smaller amounts than formerly and they are thus becoming more familiar to the population as a whole, but the Chamber would say that the cheque habit is growing very slowly.

(ii) The abolition of the stamp duty on cheques has undoubtedly led to their increased use.

(iii) The use of cheques is mainly confined to towns where banks are established. In country districts where there is no bank within easy reach cheques are of little use as a means of payment. In the opinion of the Chamber the gradual opening of small branch banks is the only remedy. The Chamber considers that the payment of Government employees by cheque would promote the cheque habit.

(iv) In the opinion of the Chamber it is impossible to arrange satisfactorily for the use of cheques by illiterate persons or to adopt general vernacular scripts in banking.

Question 5. (i) and (ii) The banking and investment habit in India has of recent years, in the opinion of the Chamber, shown steady

growth. This may be attributed to spread of education and confidence in established Government.

(iii) The Chamber considers that it would be useful, in the direction of encouraging the investment of savings, if there were an active development, on the part of banks, of the practice of buying and selling Government paper over the counter, at rates based on, and varying with, the market rates.

(iv) This has undoubtedly tapped much money formerly lying fallow and released it for productive purposes. It has also given considerable encouragement to the banking habit and has facilitated the movement of funds.

62.

The Bengal National Chamber of Commerce, Calcutta.

Introductory.

1. At the outset the Committee of the Chamber would like to attract the attention of the Banking Enquiry Committee to the especial position in the economic life of Bengal occupied by the loan offices which are purely indigenous institutions, owned and controlled exclusively by the Bengali-speaking people. They are to be found in almost all important towns and centres. These institutions have a very recent history, scarcely a few decades old, they have steadily grown in number and popularity, and the very fact that the rapid progress of their development has not so far encountered any serious set-back, which very often overtakes the rapid expansion of banking everywhere, is alone sufficient to prove that they have substantially met some financial requirements of the province. To-day the Bengal loan offices far outnumber any other banking institutions worth the name, and the deposits commanded by these joint-stock banks run to several crores of rupees. They may, therefore, rightly claim to have a fair measure of the attention of the Enquiry Committee in due recognition of the position of unquestionable importance which they occupy in the financial fabric of Bengal.

2. But while emphasising the importance of the loan offices in this province, the Committee of the Chamber are not forgetful of the fact that these institutions owe their credit not so much to any point of inherent superiority as to the absence of better banking facilities. Besides, they do not seek to stress the popularity of these institutions as a ground for postponing further improvements. The loan offices are still conducting their business on strictly conservative lines, confining themselves in most cases to their singularly characteristic transaction of granting loans against the security of land and valuables. They do not seem to be moved by the notions of progressive banking methods, and cases are not infrequent where these banks are to be distinguished from professional money-lenders only by the fact of their being run on a corporate basis. The Committee of the Chamber are also aware that these banks have always been dominated by the idea of earning profits in the most easy-going manner, which has considerably detracted from their value and importance as national institutions in respect of their service to the agriculture, trade or industry of the province. They distinctly lack the notion of a functional basis of

banking, which lead them to provide accommodation for any purpose, if only the requisite securities are forthcoming to insure them against any incidental loss. These banks have undoubtedly stimulated the banking habit of the people as the large deposits of money lodged with them will bear out, and further their rates of interest are also lower than what is ordinarily charged by the professional money-lenders, but for all this they are not enhancing the productive efficiency of the people by employing their funds in such a manner as would not only fetch them the maximum of gain but also a cumulative and steady return which can be yielded only by a permanent improvement of the paying capacity of both industry and agriculture. They have even fought shy of exploring methods of financing the internal trade of the province, which involves far less difficulty and risk and is still claimed as a monopoly by the indigenous bankers. All this calls for a true banking insight, which alone can identify the profit-seeking character of commercial concerns like banks with larger national interest. The loan offices of Bengal have so far failed to do this, although they frequently carry on what is known in banking parlance a "mixed business," and if the Committee of the Chamber have paid such anxious consideration to these institutions, it is because of the conviction that whatever reforms may lie ahead, no banking legislation will justify itself if it ignores the volume of business that now passes through the loan offices, and proceeds to impose restrictions, which may stifle the expansion of banking in this province, and thus prove a retrograde step. The problem of loan offices is far more intricate than what it seems to be at first sight, and they are sure to loom very large in any constructive scheme which may be launched for the banking reorganisation of the province.

3. Another most important feature of banking in Bengal is the rôle played by the indigenous bankers. Leaving aside the petty village mahajans and some rich Bengali families having extensive lending operations, the indigenous bankers in this province mostly belong to the Marwari community. The Marwari bankers are largely responsible for the finance of internal trade, but their banking services can be more readily availed of by members of their own community than by others. They are not disposed to set up joint-stock banks to which their vast resources might be pooled to serve all trading interest and the narrow limit within which they have confined their banking activities has to no small extent perpetuated their monopolistic hold over the distributive trade of the province. In this state of affairs one can hardly view with equanimity any measure that may be proposed to strengthen their position against the inroads of joint-stock banks in the domain of financing internal trade, especially in view of the fact that the advancement of such banks is not likely to lead the indigenous bankers to withdraw from this branch of banking business. The Committee of the Chamber are definitely of opinion that the expansion of commercial banking, correctly so called, will fill up a gap in the existing banking system rather than paralyse an active limb of the banking organism of the province. Such banks will surely call for the intermediate service of the indigenous bankers with whom they will admittedly find it easier to deal than with individual trading parties. The latter may have to be accommodated by the intermediaries serving as a link between the trader and the bank. The Committee of the Chamber are fully aware that a continuous series of the nature above proposed can obtain only when there is some impelling necessity in the system which

will force one party to resort to the other. Such a necessity can arise out of the development of properly constituted bill markets in the up-country trade centres of the province. In the opinion of the Committee the lack of securities offering chance for sound investment in the mufassal towns is to a great extent responsible for the prevalent dependence of internal trade on the financial accommodation of indigenous bankers, and the general apathy of loan offices towards commercial banking. The Committee cannot overrate the importance of multiplying as much as possible the number of short dated negotiable securities and for this they accord their wholehearted support to the scheme of setting up licensed warehouses, which will go a long way to facilitate the creation of new types of commercial paper such as may induce the loan offices to undertake discounting operations. The hundies which are in vogue at present are not backed by any lien over commodities, and the loans which are given against the security of such instruments practically amount to giving a personal credit.

4. The Committee of the Chamber are firmly of belief that if the system set forth above be introduced in this province, the indigenous bankers would more and more assume the rôle of full-fledged bill brokers constituting a necessary link in the long chain of banking arrangements. These bankers would, of course, lose their monopoly power as the discounting banks might possibly call forth other intermediaries, who would hold their ground by quoting competitive rates. This might in some cases even drive the indigenous bankers to organise themselves into joint-stock banks, which would render their banking services infinitely more valuable than they are at present. Regarding the commercial banks proposed to be set up under the scheme, the Committee of the Chamber would emphatically assert that the problem would offer no insurmountable difficulty. If the loan offices curtailed their lending operations against mortgage of land and a crop of sound commercial papers were forthcoming, such banking institutions, dependent as they are mostly on short term deposits, would be easily induced to concentrate the bulk of their business on discounting operations which would not only be safer but also be more lucrative through a quicker turnover of their working capital.

Memorandum.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. The agriculturist in Bengal depends for his sundry requirements mainly on the financial assistance of the village money-lender. In places where agricultural societies have been started the necessary accommodation is also partially provided by the latter. But their membership comprises only a small percentage of the total number of agriculturists in the whole province. At present there are only 15,689 agricultural credit societies for 84,981 villages in Bengal with a total membership of 382,152 heads. It can be presumed from these figures that the bulk of the agricultural population has yet to count on the services of the private money-lender. Even where societies have been set up, the benefit of their membership has not been availed of by all the cultivators of the local area. A section of these cultivators has preferred everywhere to keep aloof from such societies under the impression that they are semi-governmental institutions having power to compel the repayment of loans in all circumstances. The necessary

formalities, the publicity of loans taken from co-operative societies and joint liability have also made some of them reluctant to join the societies as members. Consequently the private money-lenders have been able to hold their own even in places where such societies have been established although their monopoly power has been considerably minimised by the competition of the society organisations.

The village money-lender does not, as a rule, make any discrimination between the different purposes of loans. He satisfies himself by taking sufficient securities as cover for investments and never cares to look into the manner in which the money is actually spent. Thus it is that the agriculturist finds it possible to procure loans from the money-lender not only for meeting his expenses for cultivation and other special needs as due to failure of monsoon and payment of land revenue and rent, but also for meeting the expenses of such ceremonial functions as marriage, *srādh*, etc. The individual cultivator is seldom keen on investing any capital for permanent improvements to his land and the loans obtained from money-lenders are seldom spent on items of capital expenditure, though what a man gets out of his land depends upon what he puts into it.

The agricultural credit societies, on the other hand, treat the purpose of the loan as most essential and make it a point to grant only such loans as will pay themselves without entailing fresh burden of debt on the borrower. But these societies, almost in every case, deal in short credit and are thus in a position to grant only such loans as may enable the cultivator to meet his expenses during the period of cultivation or to meet the calls for such intermediate capital expenditure as are necessary for the purchase of cattle, ploughs, etc. Even these societies have been found to be unequal to the task of providing funds for capital and permanent improvements. Such improvements in most part have remained neglected, but in recent years a few non-credit societies, confined within very limited areas, have been started for which reference may be made to the various irrigation societies.

In the absence of any competent financing agent to provide funds for capital expenditure the Government sought to meet the situation by a scheme of providing Government loans so early as 1883 when the Land Improvements Loans Act was passed. The Act, however, has not yielded any result commensurate with the expectations it raised. Very few agriculturists have come forward to take advantage of the provisions of the Act and the budget figures of Bengal on this score will amply bear out the fact that the paltry sums advanced by the Government have not been able to touch even the fringe of the problem. The Government also passed the Agriculturist's Loans Act in 1884 to provide loan facilities for meeting current expenses in times of such special need as flood, failure of monsoon, etc. But even this Act could not confer any appreciable benefit on the mass of cultivators. The latter have always suffered from lack of information regarding the facilities for loan under the Act. The grant of loans under the Act through official agencies can hardly make them popular and easily available to the general body of illiterate cultivators.

The interest charged by co-operative societies for short term agricultural loans varies between 12½ and 15 per cent. The rate is usually higher in East than in West Bengal. In obtaining a loan the borrowing member has to furnish personal security from two other members belonging to the same society. The interest paid on loans from private money-lenders is much higher and varies within extreme limits determined, on the one hand, by the solvency of the prospective borrower,

and, on the other, by the available sources of the supply of capital. Very rarely it comes below Re. 1-9 per cent. per month at which rate loans are given by the loan offices. In several districts the usual rate of interest on private debts varies from 3 pice to one anna in the rupee per month, being equivalent to Rs. 56-4 and Rs. 75 for short loans and Rs. 24 to Rs. 48 per cent. per year in big or long period loans. The borrower has either to mortgage his land if any or pawn his ornaments and other valuables to serve as cover for the loan obtained by him. In some places standing crops are pledged as security against which loans are granted by the money-lender.

The Committee of the Chamber have no definite information regarding the percentages of secured and unsecured loans in the various districts of the Presidency. They are, however, of opinion that such figures may be collected with a fair degree of accuracy by the co-operative credit societies from their own constituents. The intensive survey of several places proposed to be undertaken by the Provincial Banking Enquiry Committee will surely prove very useful in the collection of such statistics.

The part played by Government in the agricultural finance of the province has already been referred to. The Imperial Bank of India gives occasional loans to the co-operative societies which in their turn extend these to agriculturists against hypothecation of crops. Consequently the finance of agriculture has remained mainly in the hands of either the co-operative credit societies or the private money-lenders. Even the big indigenous banking houses have refrained from dealing with petty cultivators. The money-lenders who provide the necessary agricultural loan do not constitute a homogeneous class and include not only the professional lenders but also such merchants and dealers as do not infrequently take to money-lending business along with their ordinary trading activities. The credit received by the actual cultivator from other organisations, such as companies dealing in fertilisers, is too insignificant to call for any specific mention.

It is extremely difficult to form any correct estimate of the capital requirements of the rural areas in the whole of Bengal. The expenses during the period of cultivation must depend on how much the cultivator has been able to put by in the preceding year. The amount needed for capital and permanent improvements depends on the extent to which such improvements are considered necessary. Similarly, the capital required for meeting special needs must also remain a matter of conjecture as the loss arising out of such calamities as drought or flood cannot be anticipated.

The defects in the present system of financing agriculture are numerous and have arisen from either too much or too little of official control. It has already been mentioned how the official formalities required by the Government Loan Acts of 1883 and 1884 have rendered them quite useless to the community for which these were specially designed. The administration of such loans can most advantageously be handed over to the co-operative societies which by virtue of their constitution and distribution will surely handle the allotment of loans with greater competency than the officials who cannot find it easy to deal with individuals in the rural area. The operations of the co-operative societies again are not without defects which have been dealt with in the reply to a subsequent question dealing with the co-operative societies. But the defects of the gravest concern are those

which are to be found in the practices of private money-lenders. They never care to look into the purposes for which loans are taken by cultivators and often take undue advantage of the ignorance and helplessness of the borrowers by providing them with loans the proceeds of which are spent on luxury. The latter are so much under the influence of the money-lenders that they cannot even take shelter under the Usurious Loans Act which, for all practical purposes, has become a dead letter. The remedies suggested by the Committee of the Chamber regarding a more efficient working of co-operative societies and for restraining the malpractices prevalent among the money-lenders will be found in replies to Question No. 7—Group I, and Question No. 7—Group II, respectively.

At present there is practically no co-ordination whatsoever among the various credit agencies. Rather a sort of rivalry has grown up between the co-operative societies and the money-lenders much to the prejudice of the latter. It is difficult to frame any scheme under which the money-lenders will be associated more closely with the credit societies. Neither is such association considered necessary at this moment, for the societies are indirectly exercising a very salutary check upon the money-lenders who have in many cases been compelled to reduce their rates of interest and relax the conditions of loan in the face of the competition set up by the former.

Question 2. (i), (ii), (iii), (vi-b) The raiyat in Bengal generally carries his products to the neighbouring hat or village market where sundry agricultural crops are put up for sale. These hats are frequented by middlemen of small means who collect small quantities of products from a large number of sellers and mix these up according to their qualities for putting in sacks to be carried on carts which are kept waiting by the side of the hat. The carts are then driven to the nearest town for the sale of the commodities to some local merchant. Where the hats are situated near banks of rivers or khals, as in East Bengal, the traders send their boats with their own men to make purchases direct from the raiyats. In some cases the middlemen visit the houses of raiyats and collect the products which the latter may happen to have put by for sale. There is no doubt that the raiyat is often unable to hold up his crop even if he be aware of the unfavourable condition of the market. He has got to meet his various dues and has no other means than the sale-proceeds of his crop to liquidate them.

Under these circumstances a system of co-operative marketing, if introduced and judiciously applied, may go far towards ameliorating the disadvantageous position of the raiyat in marketing his produce. The working of the Bengal Wholesale Society, Limited, a federation of a large number of local co-operative jute sale societies, of the Calcutta Milk Union comprising more than 80 out of about 100 local milk societies, of the Naogaon Ganja Cultivators' Co-operative Society, Ltd., and also of a large number of paddy sale societies in the province, which have, however, not yet been linked to any central institution—all these go to show that there are great possibilities of forming pools and co-operative sale societies in this province. The co-operative movement had not, until a few years back, paid much attention to this aspect of agricultural finance, and the progress made within such a short time certainly encourages one to hope that given due support, both administrative and financial, it will not be very long before the cultivator may completely do away with the middleman and may thus get full value for his labour.

Reference may, in this connexion, be made to the fact that co-operative marketing has developed to a great extent in the U.S.A., Denmark, England and Canada. Co-operative marketing of wheat is one of the special features of Canadian agriculture, where, with the liberal financial assistance of the Government, the wheat producers control almost the whole amount of their output co-operatively. In the U.S.A., in 1922, more than 1 billion dollars worth of farm production—ranging from poultry products to 75 per cent. of all the American-grown tobacco, dried and fresh fruits, live-stock, milk, wheat, etc.—was marketed by co-operative associations.

The co-operative sale societies in the U.S.A. are financed by other means than capital stock as a rule, various methods being followed, the most common of which is the use of bank loans on warehouse receipts. These societies are controlled by producer-members only, all of them having equal rights regarding voice and vote, and all matters of policy are decided by them through an elected president and board who must themselves not only be growers but members also. Their operations and procedure are conducted openly and they have no secrets either from their members or from the public which they serve, thus ensuring their non-monopolistic character.

These characteristics of the American co-operative marketing may profitably be adopted in this province also. The existing sale societies depend for their finance mostly on their own share capital. But some of these also obtain loans, when necessary, from the Provincial Co-operative Bank and some from the co-operative central banks.

(vi) Paddy, jute and tobacco, the principal crops of the province pass through a number and variety of middlemen before they finally find their way to Calcutta. The beparis, paikars and farias purchase direct from the cultivator, sometimes on their own account and sometimes as commission agents of merchants who finance them. The aratdars, who come next, lend their arats or warehouses at a charge; they also often charge a commission for the sale of the produce. Sometimes, when they expect a rise in the price, they purchase the produce outright and sell at a profit. These middlemen, sometimes, use their own capital, but sometimes they borrow from local money-lenders, loan offices or banks. The big firms finance their agents by supply bills or telegraphic transfers through the local Treasury or Sub-treasury. In some places, under the dadan system, the mahajan advances money to the extent of about 50 per cent. of the estimated value of the standing crop which has to be harvested according to his directions, and delivered to him for disposal. Compound rate of interest is charged whenever there is a failure to meet payments of interest on due date.

(vi-a) With regard to the articles of export the traders in the mufassal centres do not find it easy to procure any loan from the local banks although they may have in their possession a large amount of saleable stock. The banks on their part being incompetent to ascertain the quality and value of the articles naturally feel disinclined to grant any accommodation to the holders of such stock although they may have a surplus cash. The difficulty in such circumstances may be to a great extent obviated by the establishment of licensed warehouses with qualified graders attached to them. The traders in that case may deposit their articles in these warehouses and obtain certified receipts which would easily inspire confidence in the banks, and the latter may safely advance a certain percentage of the value entered in the receipt

when these are properly endorsed over to their name. Regarding articles of import the same difficulty is felt by importers in the up-country centres when they approach any bank for loan against the deposit of railway receipts. This difficulty can, however, be got over only if the local banks be persuaded to discard their conservative modes of business.

(vii) The position of monopoly held by the ultimate buyers of jute as well as the want of any definite standard of quality of the fibre have to some extent prejudiced the mufassal banks against undertaking the work of financing the movement of the crop. Both these factors have rendered the value of jute uncertain, and to a great extent it remains a matter of conjecture. These may be supposed to have acted adversely on the credit of the holder of jute. It may be noted, however, that mere specification of the different qualities of jute will not prove contributory to the enhancement of banking facilities in the absence of warehouses, the benefits of which have already been referred to.

(viii and ix) The existing facilities for internal remittance now available to the public are the following:—

- (a) Postal and telegraphic money orders.
- (b) Postal insurance.
- (c) Bank drafts, where branches of the Imperial Bank have been opened.
- (d) Cheques, where mufassal loan offices have opened accounts with some bank or banks in Calcutta.

In some cases hundies are also drawn for the purpose of remittance but their use is strictly confined to the trading community.

(x-xv) The most important negotiable instrument in use in this province in connection with the internal trade is the hundi. The big merchants "importing" raw produce to the port meet their seasonal requirements of heavy funds by borrowing against hundi. The forwarding merchants in up-country trade centres handling raw produce and trading on their own account also resort to shore time accommodation secured by hundies. The big distributors of imported goods also resort to borrowing against hundies whenever required to meet their periodic commitments to the importing houses.

Under the present position of law the margin of difference of duty payable on a demand and usance bill is very wide. To avoid higher stamp duty, accommodation really intended for a definite period is made to appear on paper as a demand credit. Such a position has a decided tendency of restricting to a certain extent the use of hundies. The Committee of the Chamber therefore suggest a marked reduction of duty payable on usance bills to promote an extended use of hundies.

The hundies most commonly used in Bengal belong to either of two groups, viz., Darsani and Muddati. The darsani hundies are demand drafts while the muddati hundies are drawn for a fixed tenure of 2 to 3 months or more according to the prevailing custom. The special characteristic of hundies in every case is that they do not convey any assurance or claim regarding any genuine trade transaction out of which they may be supposed to have arisen. The discount of hundies in such cases practically amounts to giving a loan against personal security.

The Committee would welcome the introduction of standardised forms of hundies on stamped paper. They anticipate, however, at least initially, the strongest repugnance for the use of such standardised forms from the indigenous bankers.

(xvii) So far as the Committee are aware the only instruments in use are the railway receipts and the bills of lading. Further observations with regard to the latter will be found in the reply to the next question.

(xviii) It has been the unfortunate experience of some Inland Steam Navigation Companies in Bengal that the bills of lading issued by them are made the subject of the most malignant type of discrimination discrediting their acceptability as a reliable security for advances. The Committee of the Chamber would in this connection quote the following passage from the written statement of the Managing Agents of the East Bengal River Steam Service, Ltd., submitted to the Indian Mercantile Marine Committee.

"Strong combination amongst the European companies with a view to crush Indian enterprise can be said to be the main cause of the gradual decline and premature end of the Indian shipping industry. Even Indian steam navigation companies suffer from similar combinations and competition. For the information of the Committee, let us give here some particulars of the treatment that has been so long accorded to us. This Company was at first started as a private concern with two small flats, when most of the mills used to accept goods carried on the small vessels of this Company and to advance money on the bills of lading of the goods shipped by the Company's vessels. But after a few years this Company was converted into a limited liability company and larger and more powerful launches and bigger flats were added to it. When the European companies found that this Indian Company was increasing its fleet and doing very good business and other similar companies were being started by Indians they made an agreement with the mills restraining them from accepting jute carried on vessels owned and managed by Indians. And subsequently the Insurance companies, as if in sympathy, would not insure goods carried on our vessels at the same rates as goods carried on the European companies' vessels, in spite of the fact that our vessels were brand new and in some cases were more strongly built than those of the European companies. On our representation to the Insurance companies through the kind intervention of Sir Earnest (now Lord) Cable this very invidious and unfair difference in rates was removed. *But the mills which consume the major portion of the jute even now do not advance money on our bills of lading or accept jute shipped by our vessels, even when Indian sellers insist on the despatch of jute by this Company's vessels, and ourselves advance money on our bills of lading.* Even Indian shippers intending to ship jute by this Company's vessel to Indian consignees such as mills owned by Indians are restrained from doing so by the threat that they will find difficulty in securing space for goods intended for the European mills and also in shipping from the stations where this Company's vessels do not run. The Hon'ble Mr. Mackenzie of Messrs. Macneill & Co. even threatened us in so many words that unless we sold or made over the management of this Company's business to them they were determined to crush our Company. There are other weapons in use such as the arrangement that no rebate will be paid to shippers and consignees who have occasionally shipped their jute or coal by this Company's vessels, and rate cutting."

Regarding measures for the removal of such inequities the Committee are aware that remedy cannot be administered through any banking legislation alone in the absence of some form of control over the non-Indian companies. They have, therefore, felt it necessary that

some measure like the licensing system recommended by the Indian Mercantile and Marine Committee for ocean-going vessels should be adopted for inland river transport in Bengal.

(xix) and (xx) The Committee of the Chamber are definitely of opinion that the institution of licensed warehouses such as those of the U.S.A. and Germany would confer a great benefit on the agriculture and trade of Bengal. The scripts issued by such warehouses would not only provide for an excellent mode of investment, but, what is more, would prove a necessary link in the existing conditions of the Indian money market. Besides, these would greatly stimulate the activities of the sale societies enabling them to obtain loans when necessary against their stock deposited in the warehouses. The usefulness of such institutions has been explained at length in reply to a later question.

As the warehouses have to be established on a commercial basis the Committee consider it necessary that they should in some way or other be associated with the Government. The latter may exercise some sort of supervisory control over the licensed warehouses even without having any financial stake. As the warehouses will surely be a novel type of institution their success will be assured to a great extent by the support of the Government who alone can easily inspire the confidence in the people.

Question 4. There are no legal impediments to mortgage of land in Bengal such as are found in the Punjab and Bundelkhand where special legislation has been adopted to curtail the power of the cultivator to mortgage his land to lenders other than specified persons.

The recent amendment of the Bengal Tenancy Act has undoubtedly improved the economic value of the raiyat's interest in their holdings. As in Bengal the credit available to a cultivator depends on the value of his interests, it may be presumed that the credit position of the cultivating raiyats has been improved by the amendment.

The fragmentation of agricultural holdings makes it difficult to launch any ambitious scheme for their permanent improvement for which the establishment of long term credit institutions to finance agriculture would be necessary. Within this limitation, however, there is ample scope for such institutions in Bengal, as they would have to tackle the most important problem of agricultural indebtedness.

At present there is only one land mortgage bank in Bengal, viz., the Co-operative and Mortgage Bank of Naogaon. It was originally started on a co-operative basis but has since been converted into an ordinary land mortgage bank. The bank does not issue any debentures and raise capital by taking long term deposits. Regarding the operation of the bank it may be noted that it does not confine itself to the provision of long term credit alone. It also provides ordinary loan by means of cash credit. There is a rule that if a member takes a long term loan for clearing his prior debts, he gets a cash credit for his ordinary agricultural operations.

Regarding the lines on which land mortgage banks should be established in Bengal, the Committee of the Chamber fully endorse the principle underlying the recommendations of the Royal Commission on Agriculture contained in Chapter XII of their Report that a distinct type of banking institution should be set up for the purpose of providing long term agricultural credit. The Committee refrain from

reiterating the arguments and recommendations of the Commission and would like to make only the following observations of a general character:

The absence of a series of land mortgage banks in Bengal so long has already caused much harm to the agriculturist and for the matter of that to the whole province, and the sooner the situation is changed, the better. The existing circumstances demand that the mahajan with all his traditions should be reformed and his place largely, or if possible, totally taken by a bank whose duty will be to lend money to the agriculturist at a cheaper rate and for a longer period and thus enable him, not only to liquidate his old debts to the mahajans, but also to carry out such schemes as sinking and boring wells, purchasing costly agricultural machineries, improving and raising live-stock and introducing other measures for improving the method of cultivation.

Apart from meeting the direct requirements of agriculturists there are certain kinds of agricultural improvements which cannot be effected except by a well-thought out and systematic course of action on the part of local authorities, and as in France, a land mortgage bank can well undertake to finance such programmes of these local bodies.

In order, however, that the bank may not become a source of hardship to the agriculturists and in order that it may approach the whole question of agricultural indebtedness in a sympathetic way, it should be organised on a thoroughly co-operative basis. The capital should be entirely subscribed by the borrowers themselves, who would also control the management of the bank, subject to the supervision of the Government and the condition that the benefit of profits should go to the borrowers. Such a system prevails in the United States of America and it has been recommended by the Baroda Land Mortgage Bank Committee of 1924-25. Besides eliminating the evils of private capital and hankering after profit, the co-operative system has a moral and educative value of its own in so far as the borrowers themselves are called upon to perform the arduous and responsible duties of bank management.

Loans by such banks should be given at a reasonable rate of interest and should be extended over not more than 10 years and the repayment should be secured by annual or half-yearly amortization percentage. The land, on the mortgage of which the advances are thus made, should yield a steady income, and must be capable, after meeting all the working expenses, of returning money in a regular manner. The periodical payments of instalments should not exceed the income that may reasonably be derived from the mortgaged property, so that there will be no hardship to the poor borrower. The banks should be authorised to extend the period of repayment in exceptional circumstances, such as flood, famine and the like.

It is obvious that land mortgage banks, of which there should be at least one in each of the provinces, would require to be considerably helped by the Government not only at the beginning but also afterwards; the initial capital, if necessary, may have to be subscribed by the Government to be repaid gradually, as the borrowers come in and join the banks. The debenture bonds which the banks will issue will, if necessary, have to be subscribed by the Government besides being exempted from stamp duty, income-tax and other sorts of levies and being declared as trust securities. The Government may be asked to guarantee the interest payable on the bonds issued by the banks and the

risk taken on that account may be covered by making suitable arrangements for the distribution of profits between the Government and the banks.

Question 5. (i) and (ii) So far as the Committee are aware, only two important systematic attempts have hitherto been made in Bengal for ascertaining the debts of the agriculturist classes—one for the whole district of Faridpur and another for the village Talma in the same district. The former attempt was made by the late Mr. J. C. Jack, I.C.S., who collected figures for the years 1906-10. The result of his labours has been embodied in his book entitled "The Economic Life of a Bengal District" published by the Oxford University Press in 1915. The latter attempt goes to the credit of Mr. L. Burrows, B.A. formerly Collector of Faridpur), who made an economic survey of the Talma village in recent years. A note on the survey was submitted by him to the Royal Commission on Agriculture for which reference may be made to Volume IV of the Report of the Royal Commission containing evidence taken in the Bengal Presidency.

Regarding the manner in which such an estimate can be obtained with reasonable accuracy, the attention of the Provincial Banking Enquiry Committee may be drawn to Chapter I of Mr. Malcolm, J. Darling's book, "The Punjab Peasant in Prosperity and Debt" in which the author has admirably handled the subject with reference to the indebtedness of the Punjab peasantry.

Question 6. There are various kinds of small industries subsidiary to agriculture in Bengal and they are noted for their variety. They comprise such operations as handloom weaving, rearing of silk worms, worms raising, garden produce, gur-making, poultry keeping, etc. Of these the handloom weaving industry is spread over the whole province while the rearing of silk worms and cultivations of lac are confined to a few districts, the former to Murshidabad, Maldah and Midnapur and the latter notably to Maldah. Although these industries have been started on a commercial basis, they can hardly find wholetime employment for the occupants who have accordingly to depend partially on agriculture. Other industries such as husking of rice, poultry keeping, and raising of garden produce are mostly pursued with the primary object of providing for home consumption by the cultivators almost everywhere. The same remark applies to industries like gur-making which prevails extensively in West Bengal. Recently, however, some of these industrial operations are being carried on in certain areas on a commercial scale. A number of agricultural farms has sprung up bringing large areas under the cultivation of vegetables which are sold in the various markets of the neighbourhood. There is also a sprinkling of dairy farms in several district supplying milk in the adjoining cities. But such operations are obviously being divorced from agriculture through their concentration in particular areas. The husking of rice is gradually being taken over by the rice mills which are large factory establishments. So far as the financial aspect of the subsidiary industries is concerned, these can be encouraged considerably by the increase of the number of co-operative sale societies which alone can bring a fair return to the producer. Already the benefit of co-operative organisation has been availed of in particular areas by a number of the aforesaid industries such as weaving and milk supply but it is necessary that the movement should be far more widespread in all the districts of the province.

Regarding enterprise which may give employment to the farmer during his leisure it may be noted that the farmer in many cases utilises such spare time for his own non-agricultural requirements such as house repair, repair of boats and fishing nets, etc. Where the leisure cannot be utilised in this way other cottage industries may be started in suitable centres in the interior, distributing among the villagers in the neighbourhood such forms of work as are connected with the simple processes of the manufacture. Such enterprises may be started either by co-operative organisations or by individuals who have to be subsidised to some extent by the Government. The manner in which such Government help may be given to small indigenous industries has been thoroughly dealt with in the Bengal Industrial Development Bill introduced by Mr. Nalini Ranjan Sarker in the Bengal Council in 1928.

Question 6A. The small industries which are neither supplemental to nor connected with agriculture are mostly owned by individual proprietors. A few of them have also been started on joint-stock basis. Such industries are, in most cases, financed by their proprietors both in respect of fixed as well as the circulating capital. Where a loan becomes unavoidably necessary it has to be secured from some indigenous banking house by mortgage of land or pledge of other securities. Hardly any such industry gets a loan from any of the joint-stock banks which do not grant any accommodation against the *bloc* of any industrial establishment as it has no convenient agency for enabling it to ascertain whether the proprietors of small industrial concerns are working on sound lines and whether they possess a good reputation for honesty and punctual payment. Only the large organised industries such as jute mills, tea gardens and cotton mills can obtain such loans from the banks. The small industries, be they individual proprietary concerns or joint-stock establishments, have to depend absolutely on the accommodation available from indigenous bankers against mortgage of some real property or such personal security as may inspire their confidence. The position has created a standing difficulty thwarting the industrial development of the province. It engaged the attention of the Industrial Commission which considered at length the financial requirements of middle-class industries and in fact recommended the operation of a tentative scheme elaborated in their Report (p. 218, Chapter on Industrial Finance). The scheme was never adopted in actual practice although it contained some valuable suggestions. Greater reliance must be placed on some enactment for the Development of Industries embodying some of the salient features of the aforementioned scheme and designed to provide better financial facilities for the middle-class industries.

Question 7 (i), (iv), (v) and 7A (iii), (iv) So far can be ascertained, the relation between the co-operative banks and the other banks in the country has not been unhappy, and the Imperial and other banks have often befriended the co-operative banks by lending them funds. The village credit societies are linked to a number of central banks which in their turn are linked to the Calcutta Money Market through the Bengal Provincial Bank. The village societies, when in need of money, ask for help from the central banks which, however, having no credit dealings with the Imperial or joint-stock banks, are financed by the Provincial Bank, which in its turn gets cash credits from these commercial banks. The Imperial Bank further grants cash credit advances to the Bengal Provincial Bank, and the various central banks to

the latter and selected urban banks (through its local branches) on the security of Provincial Bank. Thus the principle of water-tight division of the resources of the co-operative and commercial banks has not been recognised in Bengal and a close association between them has become possible. The association may be further strengthened by allowing free interlending between the co-operative credit societies and joint-stock banks under prescribed conditions.

Question 7. (ii) The present system of co-operative finance is very inelastic. The time taken by a village society in procuring funds for its members from the central banks, particularly when it has no surplus money left to itself, is too long, and complaints have not infrequently been made that "by the time the loan is sanctioned by the central bank and money is brought to the village for disbursement, the need for borrowing might in many cases disappear. Another disadvantage of the present system is that loans are very often brought to the village from the central bank in a lump sum. Some of the members may not require loans at that particular time but, all the same, they anticipate their requirements" (evidence of Rai J. M. Mitra Bahadur before the Agricultural Commission, Volume IV, p. 135). These defects, it is claimed, will be remedied if the system of allowing cash credit to the village societies is adopted.

Question 7. (iii) It is difficult to form a correct estimate of the amount of extra capital required for financing the co-operative movement in the whole province of Bengal. It may, however, be noted that the Government contribution to the co-operative organisations in Bengal is about 3 or 4 lakhs, and is far less than what is contributed by each of the other provincial Governments.

Question 7. (vi) No exception can possibly be taken to the suggestions made in the question. The co-operative movement is of recent origin and in spite of the fact that much progress has so far been made much more remains to be done. Like all new movements it has to encounter many difficulties and in order that it may successfully overcome these difficulties and considering further the benefits that it is conferring on the rural population of the country, concessions like those suggested in the question will not be considered over-generous by any one.

Question 7A. (ii) Section 32 of the Co-operative Act seems to be sufficiently elastic as will be clearly understood by a reference to sub-clauses (b) and (d) of clause (1) of that section. These sub-clauses permit the investment of funds of co-operative societies among others in any of the securities specified in section 20 of the Indian Trusts Act, 1882, and with any bank or person carrying on the business of banking, approved for this purpose by the Registrar.

Considering the fact that the co-operative societies deal with the hard-earned money generally of the raiyats, and considering further that a safe investment policy is more likely to engender confidence in the investors, the restrictions of section 20 should not be released.

Question 7B. (i) (ii) On the whole, the co-operative movement has been successful in effecting a marked reduction in the prevailing rates of interest, particularly in places where the rate of interest charged by the money-lenders is much higher than that charged by a credit society.

It often happens, specially in those places where the co-operative movement has made sufficient progress, that money-lenders reduce their rates of interest in order to retain the custom of their clients. In one or two areas the movement has even been able to drive the money-lenders out of existence.

Question 7B. (iii) Two of the most important factors that retard the rapid spread of the co-operative movement is the illiteracy of the people and want of suitable office-bearers, as also the apathy of the general body of members. It is clear that the spread of education will go a long way towards solving this problem, but the apathy of the public will require a very persistent agitation and propaganda to be removed.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Questions 1 and 2. In the absence of any reliable statistics it is difficult for the Chamber to give correct information about the loan offices or banks of any particular district. The Committee of the Chamber have been able to collect relevant data for a small percentage of the total number of loan offices scattered over the whole province. As these data were printed in the Journal of the Chamber (p. 101), a reference may be made to them if needed.

Question 3. The rate of interest allowed on different kinds of deposits is not the same for all banks. The Committee of the Chamber have collected figures for some loan offices which are given in the table below :—

Interest per cent. per annum on deposits.

	3 mons. p. c.	6 mons. p. c.	1 yr. p. c.	2 yrs. p. c.	3 yrs. p. c.	5 yrs. p. c.	7 yrs. p. c.
The Mahaluxmi Bank, Ltd., (Chittagong) ..	6	6	7½	8	..	..	..
The Chittagong Commercial Bank .. .. .	..	6	8	9	..	..	..
The Indo-Burma Traders' Bank, Ltd. .. ..	..	6	8	9	..	10	..
The Chittagong Loan Co., Ltd.	..	6	8	9	..	..	..
Feni Loan Office, Ltd. ..	4	7½	8	9	10	..	..
Bengal Dooars Bank, Ltd., (Jalpaiguri) .. ..	..	4½	6½	7½	8	..	..
Bengal Zamindari & Bank- ing Co., Ltd. .. ..	..	6	7	..	9	..	..
Adamdighi Mahajan Samity, Ltd.	4½	5½	6½	..	11½	8	9½
Berhampur Bank, Ltd. ..	..	6½	7	7½	8	9	..
Gouripur Loan Office, Ltd. ..	4½	6	6½	7½	..	9	..
Jessore Loan Office, Ltd. ..	4½	6	6	..	..	..	..
Raigpur Loan Office, Ltd. ..	..	4½	6	..	..	..	..

The figures given in the above table appertain in all cases to "Fixed deposits." There are, however, very remarkable differences in the conditions under which such deposits are accepted by the various loan offices. Thus in the Mahaluxmi Bank, Ltd., in Chittagong no fixed deposit account is opened for any sum of less than Rs. 100. The same

condition is in force in Chittagong Commercial Bank, Ltd., and also in the Chittagong Loan Co., Ltd. In some cases the rates allowed show slight variations if the interest be payable more frequently than usual. For example the Rangpur Loan Office, Ltd., allows 5 per cent. on fixed deposits for one year if interest on deposit be payable every month instead of once every year.

It is becoming the usual practice with the loan offices to allow interest even on deposits kept in current account. Some of these make it a condition for opening such accounts that a minimum amount, say Rs. 100, will be deposited in a lump. Further, a condition is sometimes imposed that a minimum balance will be maintained. Thus to give one concrete instance, the Mahaluxmi Bank, Ltd., of Chittagong does not open a current account in favour of any customer unless the latter is prepared to deposit at least Rs. 100 at the outset, and it allows interest only when the minimum daily balance maintained does not fall below Rs. 100. Similarly the Indo-Burma Traders' Bank, Ltd., and the East Bengal Commercial Bank do not open current account for less than Rs. 100. But these banks do not enforce the maintenance of a fixed minimum balance and the interest paid by them is calculated on the fluctuating daily balances. The usual rates of interest allowed on current accounts by several loan offices are given below:—

<i>Interest per cent. per annum.</i>	<i>p. c.</i>
The Mahaluxmi Bank, Ltd.	... 2½
The Chittagong Commercial Bank, Ltd.	... 3
The Indo-Burma Traders' Bank, Ltd.	... 3
The Chittagong Loan Co., Ltd.	... 3
Bengal Dooars Bank, Ltd.	... 3½
The East Bengal Commercial Bank, Ltd.	... 3
Bengal Zamindari and Banking Co., Ltd.	... 3
Adamdighi Mahajan Samity, Ltd.	... 3½
Berhampur Bank, Ltd.	... 3½
Gouripur Loan Office	... 3½
Jessore Loan Office	... 3½
Rangpur Loan Office	... 3

In recent years some loan offices have made arrangements to accept deposits on "Savings banks account." Rates allowed on such deposits are as under:—

The Mahaluxmi Bank, Ltd., 5 per cent.—(under the condition that the minimum balance does not fall below Rs. 10 and the deposit is made on or before the 6th of the month).

The Chittagong Commercial Bank, Ltd., 5 per cent.—(under the condition that the credit balance at the end of the month does not fall below Rs. 10 and that the deposit is made before the 10th of the month).

The Indo-Burma Traders' Bank, Ltd., 5 per cent.—(condition same as in the Chittagong Commercial Bank, Ltd.).

The East Bengal Commercial Bank, Ltd., 4 per cent.

Bengal Zamindari and Banking Co., Ltd., 5 per cent.

There is no fixity regarding the longest period for which deposits are accepted. It depends on special arrangements between the loan office and the customer willing to place his money on long term deposit. The maximum period advertised in the ordinary course of business is for 7 years for which, as has been shown before, the Adamdighi Mahajan Samity, Ltd., allows an interest of 9½. The maximum period of deposit advertised by other loan offices is generally shorter.

Questions 4 and 5. The Committee of the Chamber are not aware of the manner in which the funds of the loan offices are invested. They are, however, of opinion that replies to questions Nos. 4 and 5 are likely to elicit the most useful information regarding the financial position of loan banks and would therefore suggest that the questions may be recast in a tabulated form and published separately to be circulated among all the loan offices. The replies obtained from the latter would be not only precise but also exhaustive.

Question 6. The loan offices in Bengal hardly grant any loans to actual cultivators. Their chief business consists in lending to landholders, mainly on the security of their landed property. They also lend against the security of jewellery and other valuables and grant personal accommodation. Even when loans are granted to landholders, no enquiry is regarded essential as to the purposes for which such loans are sought and obtained. Thus they cannot be said to have undertaken the responsibility of financing agricultural improvements. The consequence of such transactions is that the borrowing landholder often obtains the loan for some unproductive purposes and ere long finds himself so much involved as to be unable to redeem the property furnished as security against the loan. In such circumstances the mortgaged property is often attached by the bank and being as a rule unsaleable at a profit remains permanently in the possession of the latter. The bank then virtually assumes the rôle of a zemindar.

Thus the loans given by the banks against security of land have practically nothing to do with the financing of agriculture proper; rather those often directly militate against landed interests. The relation of loan offices with agricultural industries is not more intimate and mention can only be made of the loan banks in the district of Jalpaiguri which stand out for their singularly progressive methods of operation. They advance long term loans against the mortgage of neighbouring tea gardens and grant short loans against the hypothecation of annual tea crops.

The Committee do not consider that the loan offices have any competence of a special character to serve the interest of the agriculturist. The competence of the various agents with regard to the finance of agriculture is to be ascertained with reference to their numerical strength as also the personal relation between the borrowing cultivator and the financing agent. The loan offices being fewer in number and lacking in an intimate knowledge of the outlying rural areas compare very unfavourably with the agricultural co-operative credit societies which have been set up with the avowed object of serving the actual cultivators of the soil, and have on record a notable progress on the score of their working capital and total membership since 1904 when they were first inaugurated. The finance of agriculture, therefore, at least so far as short term loans are concerned, must remain an exclusive privilege of the credit societies, which have in fact never faced any competition from the loan offices. Even with regard to long term credit it is much

to be doubted whether the loan offices would be of any assistance to agriculture. The methods by which the loan offices are themselves financed precludes the possibility of their undertaking systematically the onerous task of granting accommodation for long periods such as is needed for effecting agricultural improvements. At present they do not issue any debentures and depend absolutely upon short and comparatively long term deposits for obtaining their working capital. In such circumstances the loan offices are sure to carry on what is known in banking parlance "a mixed business." The task of meeting long term requirements of agricultural loans can be more efficiently undertaken by co-operative land mortgage banks of the type recommended by the Royal Commission on Agriculture in their Report in Chapter XIII.

Question 7. The Committee are not aware of any function other than banking to have been undertaken by loan offices. The loan banks carry on their business on strictly conservative lines and have been able so long to earn large profits. They have hitherto felt no urge for developing their business and to a large number of them the discounting of bills is unknown. There is more than one reason why the loan offices have fought shy to undertake the ordinary function of commercial banking more extensively. First, the large profits hitherto earned have been responsible for a distinct lack of initiative. But this alone could not have proved a sufficient deterrent in the absence of other causes. The fact further to be taken into account is that even if they were proposed to undertake hundi discounting, they could not have possibly secured a large business on that account as the supply of bills in the interior is still very scanty. The hundies in this country do not bear all the legal incidents of a bill of exchange proper, and as previously stated, the discount of such instrument in fact amounts to giving personal loan. There is nothing in a hundi to convey an assurance that it is the outcome of a genuine trade transaction and so the responsibility of discounting such instruments is undertaken by the indigenous bankers, whose tradition and personal knowledge enable them to maintain an exclusive hold on this part of banking business. Most of these have correspondents far and near and this alone gives them an advantage over most of the loan offices whose business is more or less of an isolated and local character. But still the lucrative character of discount business has not altogether failed to attract all the loan offices, and in recent years a few of them have already begun to encroach on the hitherto exclusive privilege of the indigenous bankers. Reference may, for example, be made to the Indo-Burma Traders' Bank, Ltd., and the East Bengal Commercial Bank, Ltd., which regularly quote rates for discount of hundies varying from $\frac{1}{2}$ anna to 2 annas per cent. Still it is vain to expect that there will be a phenomenal increase of this part of the business of the loan offices until the preliminary changes needed therefor are effected satisfactorily. The latter must shake off their isolated individuality and either open branches or make proper arrangements at the outset with the other banking agencies in almost all the important trade centres of the province. Further, the hundies have to be given the character of genuine trade bills in order to render them more easily acceptable to the loan office.

Question 8. The portion of the profits of loan offices which is utilised in building up a reserve easily attracts one's attention and the manner in which the annual contribution to the Reserve Fund is

estimated is subject to serious criticisms. It is not calculated as a percentage of the bad and doubtful debts. In the absence of any provision being made against the contingency of doubtful debts proving non-realizable, it can be seriously doubted whether in the event of any bank coming to grief for want of liquid funds it would be able to weather the squall. Ever since these were first started the loan offices have never adopted the cautious step of building up a substantial reserve and the small proportion of their paid up capital to total deposit liabilities has always remained a disquieting feature of the indigenous joint-stock banks in Bengal.

The manner in which the Reserve Fund is invested can best be ascertained by putting it as a distinct item in the tabulated questionnaire, which, as has been suggested before, should be sent to all the loan offices.

The loan offices have never failed to pay a fairly large dividend to their shareholders. This may reasonably lead one to question whether the rates of interest charged by loan offices carrying on their business in many cases practically on a non-competitive basis may not be considerably reduced. Besides, the remarkable divergence in the rates of dividend declared in different years invites criticism regarding the soundness of the basis on which the profits are appropriated by the Directors for distribution among the shareholders. The Committee of the Chamber would in this connection quote the rate of dividend paid by two loan offices in five consecutive years.

Names of the Loan Offices.	Years.				
	1922-23. p. c.	1923-24. p. c.	1924-25. p. c.	1925-26. p. c.	1927. p. c.
The Rangpur Loan Office (Estd. 1894) ..	50	45	45	70	30
	1923-24.	1924-25.	1925-26.	1926-27.	1928.
The Comilla Union Bank Ltd. (Estd. 1922)	12½	15	15	20	20

The steady increase of the dividend paid by the Comilla Union Bank, Ltd., synchronizing with a continuous increase of its annual contribution to the reserve fund gives an example of the best type of loan offices doing business in Bengal. In numerous cases, fluctuations, as in the case of the Rangpur Loan Office, are manifest.

Question 9. The question regarding the present system of keeping accounts may constitute yet another item in the questionnaire to be forwarded to the loan offices. The Committee of the Chamber most emphatically urge that a uniform system of accounting and method of drawing up balance sheets should be prescribed for all the loan offices. They would, further, suggest that in every case the adoption of the system of double entry book-keeping should be published in both English and vernacular. The prescribed form of balance sheet should be more elaborate and more illuminating than those now passed by auditors, so as to enable the general body of shareholders to take an intelligent interest in the affairs of the bank. The large profits earned by the loan offices would not make it difficult for them to appoint passed accountants to write up and maintain their books of account, and the standardisation of accounts would easily train the public mind to comprehend the financial position of the different loan offices.

Question 10. Any form of association between banking institutions is welcome as it contributes to the strength of all the constituents. In 1927 a number of loan offices started the Bengal Bankers' Federation to develop a spirit of co-operation among the members, to safeguard and promote the interest of members, to render all possible help to the constituent members specially when necessities arise, to initiate healthy and sound banking principles among the constituent members, to start a federal bank and such other institutions as are calculated to further the objects aforesaid. The Committee appreciate the objects with which the federation was started but they believe that its success and usefulness will depend to a great extent on the establishment of the proposed federal bank. The federation by itself will not be able to yield any tangible result in the absence of such an institution which will have to come forward with substantial aid to save a member bank, if necessary, from the risk of an imminent run. Such a bank may also serve as a clearing house for all the constituents. In fact, the idea of a Bankers' Federation in Bengal cannot be treated separately from the idea of starting a federal bank. Until this is appreciated the strong individualistic tendencies of loan offices will stand in the way of associating themselves with the federation. Further, the smooth tenor of life which the loan offices have hitherto enjoyed will yet for some time stand in the way of their being convinced of the benefits of an association, which in all circumstances seeks to enforce some common standards among the constituent members. The Committee would, therefore, suggest that the federation should hasten to establish the federal bank and bring it home to the minds of all the Bengal bankers that it is going to render some positive service to all the members and not remain a mere informal conference of the representatives of some loan offices alone.

Question 11. It has already been mentioned that some loan offices have begun to finance trade by the discount of hundies. But they have to rely more on other forms of business such as giving loans against mortgage of lands, personal security and deposit of valuables. There are some obstacles in their taking over a larger share in the finance of internal trade. In the first place, there are many loan offices which have neither any branch office nor an account with any other bank in the various trade centres. This precludes them from undertaking discount of hundies; secondly, they are generally indisposed towards any method of finance which would probably make it necessary for them to deviate from their traditional mode of activity. Else they might have done more of commercial banking even in the existing circumstances. There are places in which such banks do not give any advance even against railway receipts furnished as security for genuine consignment of goods. Such accommodation may be profitably granted by loan offices without incurring any serious risks. Consequently the mufassal traders have to depend more on the aratdars for their financial requirements. The aratdars are owners of unlicensed warehouses which are known in the mufassal as arats. The small traders or commission agents bring in their commodities purchased in the neighbouring markets to the arats for storage. The aratdar, generally a man of large resources, readily grants loans to these traders who often stand in need of accommodation to make fresh purchases. Never have such traders received any advance from the local loan offices. Nor could the latter have found it easy to make any advance against commodities put in the custody of another person. Further, the loan offices have

not any godown of their own. In these circumstances the Committee would suggest that properly constituted warehouses should be set up in all the important trade centres on a professional basis under licenses, issuing scrips as evidence of the proper assortment and valuation of articles deposited with them. The loan offices would then find it safe to make advances against these scrips and consider it a most lucrative branch of their business.

The establishment of licensed warehouses would also indirectly help the finance of agriculture, for the advantage of obtaining loans against warehouse receipts would be available not only to the trader but also to the agriculturist. The agricultural sale societies would be specially benefited by the establishment of licensed warehouses. In fact, these institutions would be responsible for the creation of a new kind of agricultural paper and an increased activity of the loan banks in the finance of agriculture and trade in Bengal.

Part II.—Indigenous Banking.

Indigenous banking in Bengal has some special features which are not to be found in other provinces. The point to be noted first is that the practice of accepting deposits is not very widely in vogue among the bankers in this province and is confined within a very limited area. If, therefore, the acceptance of deposits be considered the most essential element of the definition of a banker, the consideration of the general body of money-lenders in Bengal will have to be excluded. The latter, however, occupy such an important place in the rural finance of Bengal that the above definition cannot be adhered to without unduly limiting the scope of the investigation. Keeping the object of the enquiry in view the Committee of the Chamber have considered it necessary that the word should be used in the comprehensive sense so as to make it equivalent to a professional money-lender.

The second most important feature is that now-a-days indigenous bankers in Bengal mostly belong to the Marwari community. They are more or less scattered over the whole of Bengal except the Dacca district and are bound by a common communal sympathy. Leaving aside the petty village mahajans, they are more important than the Bengalee bankers, and their resources enable them to take the most prominent part in the domain of indigenous banking in the province. It can hardly be disputed that the members of this community still maintain their hold on almost all stages of indigenous banking. There are on the one hand the reputed banking firms of Calcutta which accept deposits and extensively undertake the finance of trade and industry, and on the other, the Marwari mahajans who very often take to money-lending along with their retailing trade. Among the Bengalees only a few bankers may be said to have attained the eminence of the former group, while the host of them are pure money-lenders of various degrees of importance. Their operations are mostly confined to the rural areas, but a few of them are also carrying on their business in the mufassal towns. These points have to be borne in mind in any discussion on indigenous banking in the province of Bengal.

The functions of indigenous bankers are varied in character and their nature can be appreciated only by a reference to the different

classes of bankers. The big Marwari banking houses of Calcutta carry on more than one form of banking business. Some of them accept deposits and undertake extensive lending operations. Loans are granted against personal security through hundies which are of the nature of promissory notes. No distinction is made regarding the purpose of the loans which may be given either for personal accommodation or for financing trade or industry. Loans are generally given for short terms and the absence of any discrimination in the purposes of loans accounts for the uniformity of the rate of interest. The hundies issued by such bankers facilitate remittance of funds from one trade centre to another. Some of them are also known to have issued and accepted hundies which in essence are finance bills finding a ready market for discount. The Marwari bankers of Calcutta, therefore, may be said to be familiar with all kinds of bill operations as is evidenced by the fact of their issuing, accepting and discounting hundies. The Bengalee bankers, who occupy a position of similar prominence in the city of Calcutta do not, however, undertake such diverse forms of hundi business, and the kind of hundies generally accepted by them is of the nature of promissory notes containing a certain date of repayment of the loan, which is granted only for personal accommodation. More generally they insist on the mortgage of some real property or deposit of title deeds to cover their loans. The deposit system of banking to this class of bankers is practically unknown.

Outside Calcutta the bankers, predominantly the Marwaris, may be classed into two important groups comprising those who reside in mufassal towns, and those who carry on their business in the up-country trade centres. Both these classes very rarely confine themselves to banking alone; quite a large number of them take to banking only as a subsidiary form of business, their principal function being trade in articles of export and import. Some of these merchant bankers act as commission agents but they often trade on their own account. Their banking function consists chiefly of the grant of loans against either mortgage of land and deposit of valuables or against personal security. In exceptional cases a few of them in towns accept deposits. One indigenous banker in the Kurseong district is reported even to have issued cheque books to his customers. It should be particularly noted, however, that such practice of either accepting deposits or issuing cheque books remains still an exceptional feature of indigenous banking in Bengal. The issue of hundies, on the other hand, is more common, being generally designed for the remittance of funds. To the extent such bankers in the mufassal act as mere purchasing agents, the internal trade of the country may be said to be financed by the wholesale merchant bankers of Calcutta who from time to time make advances to their mufassal agents. There are also some Bengalee money-lenders in all the mufassal towns as well as the rural trade centres, notably in the villages. Their banking operations, as already stated, do not extend beyond mere money-lending operations. In the villages they generally own some agricultural land and this explains why some of them are simply amateur money-lenders. Mention may also be made of some itinerant money-lenders like the Kabulis who till recently were found to be the most readily available money-lending agents especially in North Bengal. They are, however, losing their custom very fast and the case of such bankers may be presumed to have been ignored in the following replies except where any special reference has been made to them.

Question 2. Indigenous bankers are still largely responsible for the finance of agriculture, trade and industry in Bengal. Regarding agriculture, their importance has to some extent been minimised by the establishment of co-operative societies but the resources available to the latter constitute only a small percentage of the total financial requirements of agriculturists. The latter still have to approach the money-lenders for advances not only for meeting their current agricultural needs but also for unproductive loans which are not easily available from the societies. The agricultural loans proper take either the form of cash advances, or payment in kind such as distribution of seeds or cattle. The co-operative societies have yet to increase in large numbers and their resources to be immensely enhanced before the indigenous bankers will be completely ousted from the field. It is uncommon that such bankers have been thriving even where co-operative societies have been established. Perhaps the reason for this is to be sought in the fact that the rates charged by indigenous money-lenders have been considerably reduced and also that there are villagers, who do not like to go through the formalities necessary for taking a loan from the co-operative societies which are sometimes looked upon as semi-governmental institutions devoid of such sympathy as grows out of personal relations. In some cases the villagers are also reluctant to undertake the risk of joint responsibility for the debts of a society.

The finance of internal trade of the province is almost entirely in the hands of the indigenous bankers. As has been mentioned before, quite a large number of Marwari merchant bankers in Calcutta finances the outward movement of the agricultural products of Bengal from the growing centres to the port through a series of intermediary purchasing agents. Even where such agents trade on their own account they depend to no small extent on the Calcutta banking houses for temporary accommodation, assuming the form of discounting hundies which bear some of the incidents of an internal trade bill. The finance of external trade, however, remains an exclusive privilege of foreign exchange banks.

Again, the part taken by these bankers in the finance of industry is not inconsiderable. The small and cottage industries of the province depend largely on the accommodation granted by indigenous bankers. The accommodation sometimes assumes the form of the loan of raw materials given to the borrower on a definite understanding that the finished articles will be delivered at a favourable price to the money-lender who may happen to be a trader himself. More, often, however, the loans to industries are given in the form of cash advances for short periods against hundies. The large organised industries such as tea, jute and coal depend less on indigenous bankers, and obtain loans from large joint-stock banks as well as from some loan offices. In the city of Calcutta, in recent years, several indigenous banking firms are reported to have given decent loans to some large organised industries but such loans are in all cases secured by the personal securities of the proprietors.

Question 3. No definite idea can be given regarding the amount of capital invested by the indigenous bankers as well as their volume of business beyond what can be surmised from the replies given to Question No. 2, above. The Committee are not aware of any statistics having been ever collected with regard to such information anywhere in the province. The indigenous bankers observe strict economy in their

business expenses having a very simple system of accounts and maintaining very scanty staff for their branch establishments, if any.

The relation between one indigenous banker and another is not mutually helpful, although cases of mutual accommodation among them are not altogether unknown. The Imperial Bank of India is getting into more intimate touch with the indigenous bankers, of which a few can now avail themselves of the limited extent of rediscount facilities afforded by the former. Some of the big joint-stock banks in Calcutta now show their readiness to extend discount facilities in favour of the distinguished indigenous bankers, for whom they maintain an "approved list." The extent to which such facilities are available to individual bankers is, however, strictly limited, but they can obtain loans, when necessary, on cash credit. The attitude of loan offices and co-operative societies towards the indigenous bankers in the mufassal is one of indifference as the interests of the latter have to some extent been adversely affected by the growth and popularity of these institutions.

Question 5. There is no uniformity in the methods of granting loans by indigenous bankers all over the province but it may be safely observed that in the majority of cases the borrower has got to furnish some sort of security. The most usual form of security is the mortgage of land but in many cases valuables such as jewellery are also pledged. In some cases loans are given against promissory notes and cases of loans even without any security are not altogether unknown. In the city of Calcutta loans are frequently given against hundies which to all intents and purposes are nothing but an accommodation paper. In the mufassal where loans are given against mortgage of land, regular documents are drawn up, and a receipt is given where valuables are accepted as security, acknowledging the receipt of articles and specifying the loan for which such articles are deposited. Where no security is offered, an entry to that effect in the books of the lender is considered sufficient. In some districts loans or advances against standing or future crops commonly known as "dadans" are also in vogue, but such loans are growing unpopular.

The different kinds of loans as set forth above are in all cases given in cash. Although cash loans are becoming more common than formerly, loans in kind in the rural areas are far from extinct. Thus when the grains stored by cultivators for home consumption run short the village money-lender, who is also a dealer in grains, provides the former with the necessary amount and stipulates for the return of a much larger quantity, usually 50 per cent. more, than what is originally provided. Such a form of loan often proves oppressive to the cultivator and is gradually disappearing in places where co-operative societies have been established to relieve cultivators in such plight. Loans in the form of cash credits are unknown in the rural areas.

The terms of loans in the mufassal vary according to the nature of the security furnished by the borrower and also depends to some extent on the nature of the lender. Where the money-lender is addicted to usury he never fails to exact very advantageous terms from the borrower. Where the money-lender is more liberal, the terms may be considered fair especially if the scantiness of the security furnished by the cultivator be taken into account. Loans are usually given for short periods but they often continue over many years at a compound

rate of interest. The lenders do not evince any keenness for realisation of the principal so long as the interest is regularly paid.

The nature of the loans given to cultivators calls for serious attention. As already stated the money-lenders hardly make any distinction between productive and unproductive loans and the improvident character of the borrowers as well as their colossal ignorance do not impel them to make any distinction in the different kinds of loans. The result is that unproductive loans are frequently obtained by cultivators involving them in perpetual indebtedness.

The indigenous bankers in Bengal have generally sufficient resources of their own to be able to meet the usually slender demands of their customers. In cases where their funds run short they are readily accommodated by other bankers. In Calcutta they can avail themselves of the discount facilities afforded by some joint-stock banks to tide over a period of monetary stringency. The practice of depositing with the post office savings banks or the various loan offices is on the increase. The co-operative credit societies are also attracting large deposits. The money-lenders having often a surplus cash at their own disposal hardly feel any urge for attracting deposits from outsiders.

The discount facilities hitherto obtained by indigenous bankers have been considered adequate for meeting their requirements. Such bankers as carry on a discount business are sufficiently resourceful for the ordinary course of their business and can rely when necessary on advances from other bankers rather than have their bills rediscounted by some bank. It has been mentioned already that the demand for rediscount facilities hardly occurs anywhere except in the city of Calcutta. The Committee of the Chamber would, however, suggest that for the development of a bill market in the province, the discount facilities should be considerably increased and made available in all the up-country trade centres in order that the use of hundies may grow more popular. It is gratifying to note that a few loan offices have already undertaken the business of discounting hundies, for which they publish their rates. The number of such loan offices is, however, very small but their example may easily be followed by other loan offices. The large amount of cash which is still carried personally by merchants from one place to another, or remitted through postal insurance or money order amply proves that there is yet a large field of business left open to the loan offices if only they care to undertake the business of hundi discounting under proper arrangement made between themselves.

Question 6. There is a remarkable divergence in the rates charged by the different classes of indigenous bankers in the various districts of Bengal. Even in the same place the rates are not the same for all kinds of loans. They depend to some extent on the financial standing of the borrower and also on the nature of the security furnished by the latter. Still it may be said in a general way that the rates vary within the extremes of 12 and 37½ per cent. per annum. The interest paid in kind shows still less uniformity but it may be presumed that commuted in money value it scarcely comes below 25 per cent. the more usual rate being as high as 50 per cent.

The Committee would in this connection refer to the oral evidence of Mr. S. N. Roy of Burdwan published in Volume IV of the Report of

the Royal Commission on Agriculture on page 546 in which the witness stated that in his part of the province loans could be obtained from money-lenders at a rate of only 12 per cent. while the co-operative societies charged a rate of 12½ per cent. in the same locality. This, however, is an example of exceptionally low rate quoted by money-lenders in the rural areas. For the other extreme the Committee would refer to the following passage in "The Economic Life of a Bengal District" (viz., Faridpur) by J. C. Jack: "Once a debt has been incurred it mounted up with amazing rapidity. The interest is high, never less than 36 per cent., often 41 per cent. and more; and the interest is added to the principal every year and sometimes every half year, when it is usual to the money-lender to take a fresh bond for the increased amount. Perhaps half the total debt throughout the district is really the result of compound interest. In almost every case in which an enquiry has been made the sum which the cultivator actually received from the money-lender is far smaller than the sum mentioned in the bond" (pp. 100, 101, Second Impression).

In the city of Calcutta where loans are obtained either against hundies or other securities the borrower having generally a better credit gets the benefit of a much lower rate. In the mufassal towns such accommodation is available at a rate which varies round the mean of 18 per cent.

No organisation of the indigenous bankers in the mufassal is likely to bring down the rate. The rate has already been reduced considerably owing to the extraneous competition of loan offices and co-operative societies. The high rates still obtained by some money-lenders is due to the scantiness of securities furnished for the loans and such rates must prevail so as to cover the heavy risk run by the money-lenders.

A reduction in the rates of interest will undoubtedly confer some benefit on cultivators. It will at least enable them to renew their old loans with comparative ease and extenuate the burden of the annual charge of interest. But so long as the mass of cultivators remains steeped in ignorance and retains their old improvident habit, it is much to be doubted whether any facilities for cheaper loans will tend to an appreciable improvement in their standard of living so as to enable them to spend more on agricultural improvements, better agricultural implements, etc. For the attainment of these results some sort of control over the expenditure of the cultivators is necessary and this can be exercised only through institutions like co-operative credit societies. Besides, the standard of living and method of cultivation do not depend on the loan facilities alone—for the mental horizon of the cultivators has to be widened still further by better education as well as by experimental demonstration of up-to-date methods of cultivation.

Question 7. There is no prejudice against the indigenous bankers properly so-called except what is naturally attributable to the manifest inequality of wealth. There are some families of distinguished indigenous bankers in Calcutta who never cater for small business but furnish big loans against most reliable securities. In such cases both the parties to a loan can avail themselves of sound legal advice before the transaction is completed. Such transactions are divested of all secrecy as to their legal incidents and the borrowers are not supposed to be put under any undue influence of the lender who is thus saved from all criticisms. In the rural areas, however, the village money-lender often has not the same reputation for integrity and it is not without

reason that his clients in many cases look upon him with suspicion and awe as being armed with a dangerous power. The borrower in the mufassal further does not like to execute a hundi which is invariably demanded by the lending Marwari merchant banker.

The indigenous bankers have in all cases a very keen judgment regarding their business, and their conservative practice deter them from entertaining proposals which may in any way tend to a loss of money. They are well aware of their position in the eyes of law and take sufficient care to cover their transactions with various kinds of securities. In such circumstances further legal protection, at least so far as the lender is concerned, is uncalled for.

The manner of the transactions of established houses of indigenous bankers in the cities may be regarded as sound. The dealings of money-lenders in the rural areas, on the other hand, are not always above criticism. Some of these favour their clients with loans spent on extravagance and allow the latter to indulge in frequent borrowings till at last they find themselves so much involved that they find no way of escape but by surrendering their landed property. Cases are not unknown where the money-lender takes advantage of the illiteracy of the borrower and prepares a bond to the obvious detriment of the interests of the borrower. In some cases even the payments of interests by the borrower are not properly acknowledged, and where loans are given by mere entries in the books of the money-lender, serious manipulations are reported.

Such and similar defects can be remedied only by devising some means which will put a check on the cultivator's power of mortgaging his property and further ensure that all the transactions of the money-lender will be kept above board. The Committee of the Chamber think that some measure of the nature of the "Punjab Regulation of Accounts Bill of 1926," which was passed by a majority of the Punjab Legislative Council but was disallowed by the Governor, should be adopted in this province with proper modifications for the protection of borrowers in the rural areas.

Question 8. In the opinion of the Committee the way by which the services of the indigenous bankers can be rendered more useful to the community is to explore some method by which they may be more intimately connected with the money market. The Committee have considered the suggestion of many eminent banking experts that some means should be devised for developing the indigenous bankers into full-fledged bill brokers like those of London. But they are definitely of opinion that such transformation is not possible in the present circumstances. At present the indigenous bankers have, in most cases, ample resources of their own to save themselves from the necessity of going frequently to the joint-stock banks for rediscount of hundies. Besides, they are not to be expected to confine themselves to this single item of banking business so long as the supply of hundies remain scanty enough not to call for the employment of all their funds. The Committee, therefore, consider it a matter of greater importance that forms of commercial paper should be called into being in order that the indigenous bankers may find in them a profitable source of investment. One way of increasing the number of credit instruments is to establish licensed warehouses on professional basis issuing scrips transferable by proper endorsements. The establishment of such

warehouses will at once call into existence a large number of agricultural and commercial papers which will find a ready market for discount. This would open for the indigenous bankers in the mufassal avenues for the employment of their funds as the discounting agents of papers which will arise from the establishment of warehouses. The leading indigenous bankers in the cities may further be induced to organise themselves into Trusts and develop new forms of business, notable among which will be the systematic finance of large industries. The indigenous bankers outside Calcutta can hardly confine themselves to the finance of agriculture which will be increasingly attracted by the co-operative credit societies. A more progressive line of action has to be chosen by them if they are to retain their traditional distinction. Already they are facing the competition of loan offices and the credit societies and they will not be able for long to move in old conservative lines. Happily they are not unreasonable and they do not fight shy of new methods only because they are new. They are often agreeably disposed towards new modes of business only if they are convinced that it will serve their interests better than those forms of business to which they have been accustomed hitherto.

Question 10. The indigenous bankers generally manage to meet the slender demands of their customers for accommodation. The question has been partially answered in reply to Question No. 8 where it has been suggested that the city bankers should organise themselves into Trusts. This would connect them very intimately with the money market through the commercial papers which they will call into being. Many indigenous bankers in Calcutta have already begun to take part in the finance of industries but the method they have hitherto followed has to be viewed as dangerous as the loans being generally given in the form of temporary accommodation are often responsible for the transfer of management to the lender. Besides, no distinction is made by them between ordinary personal loans and industrial borrowing at least so far as the rates of interest are concerned. The setting up of Trusts would introduce a change in the angle of their vision and fill up a gap in the banking organisation of the country by providing a most resourceful agent for the finance of organised industries.

It is not possible to establish any kind of banks in the various districts with which the indigenous money-lending bankers will be easily persuaded to associate themselves. So long as they can rely on their own resources they will not be inclined to have recourse to the banks. It is quite likely, however, that these bankers will not for long continue to remain safe from the competing forces of joint-stock banks as the latter are having an ever expansive clientele. Eventually the money-lenders may find it worth while to change their method of operations. They may find their ordinary loan operations considerably curtailed so as to induce them to divert their funds more and more to the discount of commercial papers of which the number and variety have to be increased. Such papers may provide a common platform for the money-lenders and ordinary joint-stock banks through the discount facilities and temporary accommodation afforded, if and when necessary, by the latter. In places where no joint-stock bank has been established, such money-lenders may themselves be persuaded to set up one, on which they would have absolute control. In both cases the danger of a competition between money-lenders and joint-stock banks could be safely avoided

entailing no loss on either party. In no case should branches of outside banks be established, as such branches are not likely to be opened on a paying basis.

Question 12. The Committee do not think that any large amount of cash lies idle in the hands of mufassal money-lenders. Such of them as act in the capacity of commission agents do not usually have any surplus. Those who trade on their own account obtain advances from the city bankers and return the money soon after the harvesting season is over. The money thus returned can hardly be called a surplus.

In the case of the city bankers, however, a surplus of a seasonal character is available. This is kept on short term deposit by the bankers with the big joint-stock banks and is drawn as soon as any case for more remunerative employment presents itself.

Part III.—Investment Habit and Attraction of Capital.

Question 1. The existing resources of the province can hardly be said to be satisfactory. There are very few banking institutions, properly so called, outside the city of Calcutta, and the task of attracting surplus capital of the people has fallen on the large number of loan offices, the co-operative societies and the Post Office Savings Banks, which are providing the people with all the means and the institutions available for the investment of their savings. Regarding the amount available for investment by a joint-stock bank with a paid-up capital of more than Rs. 1 lakh as well as by co-operative credit societies reference may be made to two separate Government publications for the latest year, viz., Statistical table relating to joint-stock banks in India and the Statement showing the Progress of Co-operative Movement in India. As for the resources of the various loan offices of which there are 800 in number it is estimated by the Committee of the Chamber that the combined capital of these banking institutions is about Rs. 1,00,00,000 or an average of Rs. 12,500 and the amount of deposit commanded by them roughly about Rs. 25,00,00,000, on an average estimate of Rs. 3,12,500 per loan office. The Post Office Savings Banks do not lend any money to the public. The introduction of "home safe" boxes by the Co-operative Department has also been to some extent successful in tapping the surplus resources of the cultivators. Considerable amount of work is being done by these institutions, but still only the fringe of the problem has been touched, as there are yet many villages having no loan office, savings bank or a co-operative society within a radius of 10 or 12 miles. No wonder that because of such scanty scope for depositing the surplus capital in such a way as to benefit trade and industry people are in some places led either to hoard whatever surplus money they may have or convert the same into silver and gold.

It may, however, be seriously doubted whether an increase in the number of banking institutions will alone prove sufficient to stimulate the banking habit of the people to such an extent that the latter may be induced to discard their habit of hoarding altogether. The problem of hoarding in India is indissolubly connected with the currency policy of the Government. So long as an effective gold standard is not introduced in India making gold easily available to the people,

the practice of hoarding will not completely disappear. The vicissitudes of the history of Indian currency and the indecisive manner in which currency problems have been handled by the Government hitherto are responsible for the fact that the people of India look upon gold as a store of value, which they do not attribute to the rupee currency. So long as the underlying reason of this distrust is not removed and a full-fledged gold standard is not conceded to India, the practice of hoarding will remain more or less a permanent feature of the economic habit of the Indian people.

Question 2. The Postal Cash Certificates have undoubtedly been very popular in this province. For increasing its use still further the Committee of the Chamber would suggest that the rate of interest should be restored to the original rate of issue. Depositing in the Post Office Savings Banks and investing in Postal Cash Certificates are generally resorted to by the middle-class people. The restrictions that are imposed at present on the Savings Bank such as those relating to withdrawal only once in the week and to the maximum amount of deposit should be removed. The interest paid on deposit should be increased and raised nearer to the market rate. At present the Post Office Savings Bank Act does not permit the opening of accounts at more than one post office. This causes much difficulty to traders who have to move from place to place. It is necessary that suitable amendments should be made for allowing the withdrawal of money from any post office under special pay orders issued by the post office with which the account is opened. The Committee of the Chamber would, however, urge at the same time that the banking operations of the Postal Department should be properly regulated, and must not be allowed to militate against the healthy development of other banking institutions, whose interests are mainly provincial, their funds being employed in local investments.

Regarding the alleged competition between the financial operations of the Government and ordinary banks it may be noted that the issue of Postal Certificate has to some extent adversely reacted on the volume of deposits attracted by the savings bank departments of the various banking institutions. The issue of treasury bills, however, has affected the deposits of banks in Calcutta alone.

Question 3. The various types of Government stocks are issued through the Imperial Bank and also through some post offices. After the issuing function is over such stocks are dealt with only in the Stock Exchange in Calcutta. No facilities are available for selling such stocks in the mufassal where these can be transferred only through personal transactions, there being no regular market. The Committee of the Chamber have no suggestion to make regarding better facilities for making these available to small agriculturists and small investors of the country, who have not generally enough surplus to invest in such securities.

Among securities other than those of the Government the most notable are those issued by the Corporation of Calcutta, the Calcutta Improvement Trust and the Calcutta Port Trust. The banking facilities may be regarded as satisfactory although these are not largely availed of beyond the city of Calcutta. The brokers who deal in such securities on their own account obtain from banks about 75 per cent. advance against the deposit of first class paper and about 50 per cent.

against those treated as second class. The interest charged on such advance is moderate, scarcely exceeding 9 per cent.

The money received by cultivators through the sale of their products is spent partly for paying off debts and partly for obtaining necessary articles such as cloth, utensils, etc. Scarcely any surplus is left to them after such expenditure; only a few may have the fortune to put by some surplus money in prosperous years, which, if not spent on extravagance, is either hoarded or given as loans to fellow-cultivators at the prevailing rate of interest.

Question 4. The use of cheques is practically confined to the city of Calcutta where, however, it is increasing by rapid strides. Within the city the business community and the literate people have become familiar with the use of cheques. The abolition of stamp duty on cheques has undoubtedly been a beneficial measure as it has stimulated increased use of cheques. The Committee of the Chamber are unable to concur with the view that the cheque habit can be further promoted by the payment of Government servants and bank employees getting a salary of Rs. 100 by cheques without entailing any difficulties on them. The amount of salary of persons who may be paid by cheques should not be less than Rs. 250 per mensem.

Question 5. The Committee of the Chamber believe that the banking and investment habit in India have been steadily increasing, although the rate of progress has not been very satisfactory in comparison with that of progressive countries like Japan. It is to a great extent due to the deplorable ignorance of the illiterate masses which has been perpetuating their chronic indebtedness. In these circumstances no effort should be spared for their rescue and the improvement of their economic position. Any propaganda by the Government will not, however, prove an effective remedy for the economic ills of improvident habit due to the hopeless ignorance of the poor cultivators. It may inspire a few but for the masses nothing short of the enforcement of a scheme of compulsory primary education, including in its curriculum the elements of the subject of banking, will be able to turn the tide. Propaganda work may, with some success, be carried on by the various co-operative societies.

It cannot be said that the opening of branches by the Imperial Bank of India has not conferred any benefit on the banking position of the country. But it must be admitted that the success that has been achieved by the branches falls far short of the expectations of the people in the matter of providing proper financial facilities to agriculture and those other industries for which India cries aloud.

63.

The Narayanganj Chamber of Commerce.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (1) In this district agriculturists generally obtain finance for (a), (b) and (c) from the village money-lenders called Mahajans, from co-operative credit societies, if there be any in the neighbourhood, or from private loan offices, and invariably from their own zemindars who always domineer their raiyats in consequence.

(ii) The rates of interest charged vary from 50 per cent. to 150 per cent. per annum in proportion to security given and more per month from the Mahajans, but considerably lower rates are charged by the co-operative credit societies. The latter, however, demand better security and the result is that only the more substantial raiyats are in a position to deal with them.

The stated period of the loan is generally from 6 months to a year, but in practice the raiyat is seldom able to clear himself and he gets further into debt every year, until a good year comes along when he can dispose of his dues.

The security offered and accepted is standing crops, homestead and land. Secured loans equal 75 per cent. and unsecured 25 per cent.

(iii) Seventy-five per cent. loans are secured and the rest unsecured given out in ordinary handnotes or "Tamaksuk." These are not registered. Government helps the cultivators in case of famine or flood and, in exceptional circumstances, by loans known as "Takavi" or advance. It is just to enable the cultivators to tide over the difficulty existing at the particular moment. They do not help the cultivators generally, as a practice—not at least in Bengal. It might be so in other provinces. The Imperial Bank makes no advances to help cultivators, neither do the joint stock banks. Co-operative banks help as much as possible but keep within the limitations imposed by Government rules and regulations controlling the loans to be given out. Cultivators as a rule prefer money-lenders, because they are more easily approachable although the interest is higher. In cases of advances made to cultivators the co-operative banks brook no delay when the repayment is due, and issue certificates to attach property without giving the cultivators any extension of time unless in exceptional cases, whereas with money-lenders there is no such fear. Money-lenders have to go to the Civil Court to realise their money, which is a cumbersome and long-drawn out process where the borrower can hold up repayment in many cases for some considerable time. There are also a number of loan companies—limited concerns, but they never give out money without security of property and are practically as bad or as good as the professional money-lenders. Merchants and dealers are known to advance money sometimes against crops, but not to any big extent, in Bengal.

(iv) We estimate that cost of producing the entire jute crop is about Rs. 36 crores, of which an estimate of 40 per cent. may be required in loans before the crop is marketed.

(v) The Mahajans and zemindars are chiefly responsible for the poverty of the cultivators, charging as they do fabulous interest on the money they lend. They do not encourage repayment but rather try to get the raiyat further into their power.

If Government supervised the work of all co-operative credit societies and loan offices, and fixed a standard rate of interest on secured loans and introduced legislation to enable them to restrain the activities of the Mahajans, the position of the cultivators would be greatly improved.

(vi) There is little or no co-ordination among the various credit agencies and we consider there is great scope for improvement in that direction.

What is required is a low uniform rate of interest on secured loans and initial assistance from Government to enable the cultivators to break away from the Mahajans. This suggestion seems to us the crux of the

whole situation, but very great care and attention by reliable authorities would be necessary to see that only deserving cultivators got the necessary assistance, and that after a course of years they had made at least an attempt to keep their homestead free of debt.

Question 2. (i) *Jute*.—Beparies or middlemen visit the homesteads of the raiyats and buy their jute as it becomes ready. They in their turn sell to other beparies in the various village hats, who turn the jute over to the numerous baling firms stationed at all the large centres.

The cultivator certainly cannot hold his jute for better prices for any considerable period. But the middlemen or wealthier inhabitants of the village do all the holding of jute for better prices by financing the raiyat during the period for which the jute is held, and this has become more prevalent since 1926 when they made fabulous profits and put up corrugated iron sheds all over the country in order to store up their holdings, thereby minimising the risk of fire.

(ii) The co-operative effort generally in marketing produce is sound on principle, but is impossible in Bengal until the cultivators' standard of education has been raised very considerably and until the co-operative banks and societies are run by men who consider the public welfare before their own pockets.

(iii) Yes. There is a Co-operative Sale Society in Narayanganj, which is linked to the central organisation.

(iv) Already dealt with.

(v) There is no difference as the jute when it gets to the exporter is in hands of merchants of considerable standing in the trade and are financed through the channels of business, i.e., from recognised banks in Calcutta and other big centres or by jute mill owners.

(vi) Both (a) and (b) are financed by merchants during the marketing season up to the time the jute comes forward to the largest centres, when Calcutta banks give credit to the merchants.

(vi-a) Financing at these stages are done by the various banks in Calcutta at the usual bank rate of interest, either on hypothecation of goods or collateral security or both, which seems to work satisfactorily.

(vi-b) The growers of produce in India would first of all have to acquire a little more intelligence by education and then form themselves into sectional or district associations for controlling the production and marketing of their produce in proportion to the existing demand, which would give them a much better return than at present, when the supplies are invariably in excess of the demand.

(vii) No. There is no question of monopoly or quality; the reason for lack of banking facilities is due to the backward state of education amongst cultivators.

(viii) Rail, steamers and *goina* services and motor-boats.

(ix) The existing facilities for internal remittance are entirely and absolutely inadequate as regards the jute trade in the mufassal districts of Bengal.

Branches of banks are few and far between and are only placed in the principal cities and towns. Consequently very large sums of hard cash have to be sent daily during the jute season from these centres, out into the outlying districts, necessitating journeys of anything from 10 to 80 miles, and sometimes through country which is inadequately policed.

The mode of travelling is sometimes by rail or steamer or motor-boat service, and sometimes all three combined, while part of the journey has oftentimes to be done on foot. This cash, however, is invariably sent in charge of an armed guard, but in these days when crime, political and otherwise, seems on the increase, even these armed guards are no match for organised bands of dacoits or thieves, and organised dacoits have become more prevalent during the past year or two, which all tends to hinder or restrict business operations. In our opinion a great improvement in the present conditions could be effected either by the opening up of bank branches in the various big markets, during the jute season, or by some arrangement whereby Government treasuries could supply the necessary finance required for the trade. This would do away with the present system of commercial firms having to send hard cash to distant places in the mufassal, and thereby lessen the risk of thefts or dacoities.

(c) No part is played in internal trade by negotiable instruments—all cash transactions.

64.

The Agent, Imperial Bank of India, Dacca Branch.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) For the purposes laid down in (a) and (b) and also sometimes owing to failure of monsoon or other unfavourable crop conditions the usual course adopted by cultivators is to obtain money from country shroffs or from mahajans. They also obtain loans to a small extent from co-operative societies. Zemindars also invariably give loans to their tenants and domineer their raiyats in consequence.

The money required for revenue, rent, etc., is met by selling their jute crop.

In the case of the winter paddy crop the necessary finance which is small in comparison to jute is found by the profit on selling jute in July—October.

(ii) Rates of interest vary very considerably in the various districts and the question of the value of the security given also affects the interest charged.

Mahajans' charge on what is considered good security—homesteads, jewellery and land rates varying from 12 per cent. to 25 per cent. per annum.

Unsecured loans to respectable raiyats from 36 per cent. to 50 per cent. per annum

For temporary unsecured loans from 100 per cent. to 150 per cent. per annum is the usual interest.

The stated period of the loan is generally from 6 months to a year but in practice the poorer raiyat is seldom able to clear his liabilities until a good crop or high prices come along, which may be taken as once in five years.

There is considerable diversity of opinion as to the percentage of secured and unsecured loans and these vary very considerably according to different districts. Giving a very rough estimate we would estimate 50 per cent. are secured and 50 per cent. unsecured.

In areas where there are credit societies the interest charged is much less than above but these societies demand really good security so that only the more substantial raiyats are in a position to deal with them.

(iv) The jute grown in Bengal, Bihar and Orissa and Assam is approximately 100 lakhs of bales of 500 lakhs of maunds. The cost of cultivation varies in different districts, but the general trade view which is corroborated by the Department of Agriculture is between Rs. 6-8 to Rs. 7-8 per maund. Taking the average therefore at Rs. 7 the total amount of capital required for financing the jute crop would be Rs. 35 crores.

Very little borrowing is necessary for financing the paddy crop in Bengal.

Question 2. (i) When the crop (jute) is ready the interior villages are thronged with fariahs with their own boats and generally financed by up-country baling firms. The fariahs are in daily communication with the consuming markets and buy usually direct from the cultivators. The cultivator is able to hold his jute for better prices and his ability to do so seems to increase every year which would point to an improvement in his financial position. The wealthier inhabitants, not necessarily cultivators, in the interior however are increasingly inclined to speculate and buy under the market price from their own raiyats if they are zemindars. Numbers of the latter class made fortunes during the high price year—1926.

(iv) The beparies are financed by the middlemen or aratdars and also to a large extent by the jute baling firms. The bepari usually owns his own boat or boats and sends his "Mallahs" into the interior with an order to buy at a certain fixed price according to quality. The bepari very often deals with the mahajan who has already lent money to the cultivator and the mahajan is able to dictate the market price and make the cultivator sell at under the true market rate. If there is any unnecessary delay the mahajan informs the cultivator that he will want a higher rate of interest next season if he refuses to give his jute at the price agreed upon by the bepari and the mahajan.

(v) There is no difference as the jute before it gets to the exporter or consumer is in the hands of merchants of standing in the trade and is financed through the usual channels of business, i.e., from recognised bankers in Calcutta or by jute mill owners.

(viii) Cheques; Bank drafts and Telegraphic Transfers; Supply Bills; Post Office Money Orders; Currency Notes by post; Shroff's hundis; Currency Transfers.

(x) Demand bills drawn by jute merchants on their Calcutta Agencies for the purpose of obtaining funds to finance purchases of raw jute.

Demand bills accompanied by shipping documents drawn by jute merchants on parties who have purchased their jute.

Bills payable on demand or payable at a determinable future time (accompanied by documents) drawn by sellers of merchandise on the purchasers. Such bills are generally sent to a Bank for collection of proceeds from the drawee against delivery of the relative documents on payment or acceptance of the bill.

(iii) Four different forms of hundis written in vernacular are generally used in this locality. Following is a translation of each of these forms:—

I.

No.

Drawee

On demand please pay to _____ or order the sum of
Rs. _____ received to-day from Babu _____ of Dacca.

Date

(Demand draft issued by local Bankers on their Calcutta firms.)

II.

Drawer

Received to-day the sum of Rs. _____ from _____
of Dacca. On receipt of this Hundi at Calcutta please pay the amount
to Babu _____ or order after it has been duly receipt-
ed on the back.

Dated Dacca, the

(Hundi used between Shroffs.)

III.

To Babu

Address

On demand I promise to pay you or to your order the sum of
Rs. _____ for value received.

Dated Dacca, the

(Demand Promissory Note.)

IV.

To Babu

Address:

Sir,

30 days after date I

, son of

(address) _____, promise to pay you the sum of
Rs. _____ for value received. In default of payment on due date I
shall be liable to pay interest at _____ per cent. per month till the date
of payment.

Dated Dacca, the

(Usance Promissory Note.)

65.

The Agent, Imperial Bank of India, Asansol Branch.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a), (b) and (c) By loans from professional money-lenders, who make distinction between capital required for general agricultural purposes, and money needed for domestic wants and ceremonial expenses.

(ii) Rates of interest vary with the credit and nature of security offered. The rates for secured loans are usually Re. 1 to Re. 1-8 per cent. per mensem. The security offered is nearly always in the form of mortgage of agricultural land. Rates for unsecured loans are 2 per cent. or even more per mensem.

(iii) Government grant loans for agricultural purposes but these are of no real assistance. Co-operative banks are of assistance to the agriculturists, but they do not have sufficient resources to deal with all their requirements. The cultivators, who are also very illiterate and ignorant, do not understand their methods. The professional money-lenders and local merchants and dealers, whose rates may be high, are at present, the only people who are of any real help to the cultivators.

(v) Defects in the present system of financing agriculture are manifold. Finance is practically confined to a set of people trading as professional money-lenders. The village money-lender also usually deals in commodities and the cultivator, who is generally heavily in debt, has, after paying Government taxes, rents and interest on loans, often to obtain the bare necessities of life from him, during the year on credit. The illiteracy of the cultivator and the temptation he has to relieve present necessities by mortgaging his future income and even his capital, has led to a large increase in indebtedness and eventually many of them lose their land. In spite of the high rates of interest charged by the money-lender, it is at present, almost impossible for the cultivator to carry on his operations without him, in the absence of any other source of finance. The only remedies appear to be either some form of Government control over these money-lenders, or the growth and spread of a well organised co-operative movement based upon the careful education and training of the cultivators themselves.

Question 2. (i) The principal crops are sold to the money-lenders and merchants in the village markets. These people hold the stocks for five or six months when they send them for sale for export to district centres. The raiyat is unable to hold his crop for a better price owing to his heavy indebtedness, and he is compelled to sell his products to the money-lender at whatever price the latter is prepared to give.

(ii) As long as the cultivator remains so much under the control of the money-lender the formation of pools is not likely to be a success.

(iii) None in this district.

(iv) No facilities now exist; much might be done if advances at moderate rates of interest could be arranged by co-operative societies against produce hypothecated to them.

(v) I do not think so.

(vi) The merchants and dealers stock the produce immediately after harvest in village hats, mokams, etc., whence they export it to district centres.

(vi) (a) The money-lenders and merchants trade on their own capital. Where there is a Branch of the Imperial Bank of India they are able to take advances against the stock. In order to improve the existing financial facilities available for the movement of imported or exportable articles expansion of branch banking of some centralized institution is necessary.

(vi) (b) I do not wholly agree with this idea. The only way the growers of produce in India can get a better return for their produce is by increasing the quantity, and improving the quality, of their outturn, but this will not help them much at present as the middleman, who purchases their produce, is inclined to buy rather in quantity than in quality, and it is only when an improved variety has been grown over a large concentrated area that a reputation for quality can be obtained and a better price demanded. The middleman is at present, however, indispensable and the most hopeful solution of the cultivators' difficulties appears to be in the improvement of communications, and the establishment of regulated district markets.

(viii) Postal insurance and shroffi hundies.

(ix) The former is costly and hundies are not popular; in addition, hundies are not usually met on presentation, three or four days' notice being required.

(x) Very small. Most of the business is done on credit.

(xi) I do not think the reduction of duty on bills will have any appreciable effect.

(xii) Demand pro-notes chiefly, popular on account of their simplicity and easy method of execution.

(xiii) I do not think so.

(xvii) Railway receipts, but they are not the means for raising money.

Question 3. (i) Rupees 400 to Rs. 500 for paddy land, which is the only crop grown in this district.

(ii) (a) and (b) Usually about Rs. 100 less.

(c) Same as 1.

Question 5. (i) No.

(ii) Practically impossible, but rough estimates might possibly be obtained through District Officers.

(iii) (a) This may be had from the Land Registry office.

(b) This must be left to District Officers mentioned above.

(iv) The money-lender recognises no distinction between capital required to finance industry, and money needed for ordinary household expenditure. Everything goes down in common account. The borrower also cannot distinguish in his own mind between money borrowed for production purposes and those taken for current needs. It is, therefore, practically impossible to find out the purposes for which debts are incurred.

(v) Professional money-lenders.

(vi) Increasing.

(ix) Yes. Being an industrial centre they advance money to workers against demand pro-notes at high rates of interest.

(x) No.

(xiii) Yes, by taking a bond for a larger amount than is actually advanced to the debtor.

(xiv) Reported to be 25 per cent. per annum.

(xvii) Yes.

(xviii) Necessarily.

Question 6. There are practically no small subsidiary industries to agriculture in this district. Cultivators when not actually engaged in sowing or harvesting their crops work in the coal mines but they will only work long enough to earn sufficient money for their immediate needs. They care little about saving money and many of them will only work one day a week.

Question 6B. (i) Practically none except money-lenders.

(ii) Ordinary household expenditure and to meet emergencies like marriage ceremonies of sons and daughters. Rates are very high. Unsecured loans are usually 1 per cent. per mensem above secured loans.

(iv) Increase.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

There are no loan offices or joint stock banks in the district.

Part II.—Indigenous Banking.

Question 1. Indigenous banking in this district is chiefly carried on by the mahajan class. They are a set of business people comprising the Marwaris and the Sahas. They receive deposits on which they allow interest at 6 per cent. per annum, and sell drafts on their Calcutta houses. They use the greater part of their deposits in financing their respective business or lend them to the agriculturist at high rates of interest.

Question 2. Agriculture, trade and commerce in this district are chiefly financed by the indigenous banker.

Question 3. Banking is subsidiary to their main business so that the points raised in (a), (b), (c) and (d) cannot be ascertained with any degree of accuracy.

Question 4. Indigenous bankers sell demand drafts on their Calcutta principals. They also buy demand drafts on Calcutta.

Question 5. (i) Loans are granted against demand pro-notes and bonds at rates of interest varying from Re. 1 to Rs. 3 per mensem. They also grant cash credits against goods or railway receipts. No bonds are taken. The transactions are generally put through their ledger accounts.

(ii) By deposits and by the sale proceeds of what they trade in.

(iii) Six to 9 per cent. per annum for fixed deposits for 1 year.

Question 6. (i) On an average Rs. 24 per cent. per annum.

(ii) By co-operative banking.

(iii) I very much doubt it at present, as the proportion of the debt of the agricultural classes which is represented by investments in improvements, better implements, stock, etc., is very low.

Question 7. (i) I do not think so.

(iv) Yes, very few irregularities are reported.

Question 8. (i), (ii) and (iii) By the formation of some kind of federation among themselves and by investing their surplus funds at the end of the season in some profitable undertaking or in G. P. Notes.

(iv) Some of them would resent any change, however good.

Question 9. Between 12 and 18 per cent. generally.

Question 10. In normal times the indigenous banks and bankers are able to meet all demands for accommodation. But in times of severe drought and famine their resources are not equal to the strain upon them. They sometimes refuse accommodation purely on account of the unacceptable nature of security offered.

Question 12. (i) Yes.

(ii) No. About 50 per cent. is allowed to remain unused in safes. The rest finds employment in big firms in Calcutta or in liquidation of their old liabilities to them, in order to apply for fresh advance at the beginning of the next season.

(iii) No. Not at present.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (iii) Post Office Savings Banks and banking institutions and loan offices.

(iv) Yes, in urban areas.

(v) Post Office Savings Bank rules need much modification. Arrangements for withdrawals at village Post Offices should be made when receipts are accepted.

Question 2. (i) Popular amongst the middle classes. They are unknown to the uneducated cultivator.

(ii) I do not think so. Present rates are attractive enough.

(iii) No. There are defects in the system of withdrawing money at small village Post Offices.

(iv) Middle classes and service holders generally.

(v) Yes, by removing certain restrictions and raising the rate of interest by $1\frac{1}{2}$ per cent.

(vi) Yes, they have to small extent caused a set back in the deposits of bankers in provincial centres only.

Question 3. (ii) and (iii) Where branches of the Imperial Bank of India exist, every facility is afforded to constituents and others for the purchase and sale of Government and other securities, the only fee charged by the Bank being 4 annas per cent. commission. Government

and other securities may be deposited with the Bank for safe custody. Dividends and interest thereon will be realised punctually as they become due.

(iv) Not generally. Owing to their heavy indebtedness to the money-lenders most of the farmers do not have any surplus money even in a prosperous year.

Question 4. (i) Current where Branches of the Imperial Bank of India and joint stock banks exist.

(ii) Not very appreciative.

(iii) Business people in urban areas where there are facilities for their use. It is objected to in areas where facilities for encashment are inadequate.

(iv) No.

Question 5. (i) Yes.

(ii) Investments in gold or silver, hoarding and fear of loss through failure.

(iii) Propaganda and advertisement by Government in regard to Government loans would be of much help.

66.

The Agent, Imperial Bank of India, Chandpur Branch.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturists in this district obtain their finance from the following sources: co-operative banks, indigenous banks or bankers, loan offices, joint-stock banks and professional money-lenders for—

(a) cultivation,

(b) capital and permanent improvements,

(c) other special needs,

against mortgages of immovable properties and on personal security.

(ii) The rate of interest charged in respect of advances is on an average of 35 per cent. to 40 per cent. per annum. The charge of professional money-lenders is comparatively much higher. They are chiefly of short term, especially for seasonal crop purposes.

The approximate percentage of secured loans in the district would be 20 per cent. as against 80 per cent. unsecured loans.

(iii) It is not known whether there is any provision for such advances by Government to the agriculturists in general but it is understood that the Government provides loans to them in times of natural calamity (drought, flood or famine, etc.). Imperial Bank of India finances agriculture through co-operative banks at a very low rate of interest. Joint-stock banks and indigenous banks contribute a very limited portion in the agricultural finance of the district whereas professional money-lenders display more interest in these investments.

(iv) The total requirements of the agricultural finance of the district may be approximately estimated to Rs. 1,00,00,000 or over.

(v) It has indeed been a great advantage to the cultivators to obtain financial assistance from the co-operative banks through rural societies. Their investments entail a high rate of interest in consequence to their deposits being always at a higher rate of interest—at about 7 per cent. per annum and they also obtain finance from the Bengal Provincial Co-operative Bank, Ltd., at $7\frac{1}{2}$ per cent. which forces up the rate of interest of their investments. Co-operative bank's average rate of interest is as follows: For 1 year, Rs. 9-10 per cent.; for 4 years, Rs. 11-12 per cent. to their rural societies, which invest at Rs. 13-14 per cent. for one year and Rs. 16-17 per cent. for 4 years. *The glaring defect of the present system of financing agriculture is its heavy rate of interest*; the general economic distress in the country has practically sapped the cultivators; the outturn of crops, whatever they get, is their only asset; it does not permit them every year to liquidate their debts, meeting their bare necessities of existence, for, it fetches out very low remuneration on account of low prices of their commodities. So, there ought to be an attempt to regulate the interest of investments and to regulate the marketing of their crops at reasonable prices.

(vi) Apparently there exists no co-ordination among different credit agencies, only there is regular co-ordination among different credit societies opened under Co-operative Societies Act.

Question 2. (i) Jute is the principal crop of this district. The raiyats grow it on their arable lands. They dispose of the crop to brokers, beparies, who import it from the interior and sell to the jute merchants on the rates and assortments as dictated by the buyers.

Raiyats, in no case, can hold up the crop for better prices. There are two reasons for such inability—

(1) Their economic condition does not permit them to wait for better market.

(2) The outturn of the crop as produced by them, is always much above the requirements which lead them to go into the hands of the buyers.

(ii) Under the present state of affairs, it can be effected to a certain extent by rural co-operative credit societies.

(iii) There are two co-operative sale and supply societies in this district. They have been constituted as limited liability companies in conformity with the Co-operative Societies Act. They are linked to the Central Wholesale Society in Calcutta. They are, at present, financed by the Provincial Co-operative Bank, Ltd., Calcutta, through telegraphic transfers and demand drafts. They do not, as it appears, lack in sufficient funds to run their business. The surplus fund of the said provincial bank remains at the back.

(iv) The principal buyers in this district advance money for marketing the crop from interior through the *farias* on the surety of brokers and in some cases, professional money-lenders too finance the marketing of the crop.

(v) No advance system is in existence in case of foreign trade where the finance is accommodated against bill of lading by the buyers but in case of internal trade, there is evidence of advance system.

(vi) (a) Principal buyers of the locality chiefly finance such imports from interior in the aforesaid manner.

(b) Imperial Bank of India contributes the finance of these buyers enabling them to export the crop to the distributing centre or consumers. Some firms accommodate finance by selling demand papers also on their principals in Calcutta.

(vi) (a) The existing financial facilities available for the merchants for the movements of their goods appear to be quite adequate.

(vi) (b) Jute is the only produce in this district; it is absolutely in the hands of the buyers. The growers' position is worse on the following reasons:—

(1) Economic condition of the growers in general is very bad which does not help them to keep the market in hand.

(2) Neither do they possess any proper credit facility to retain their crop for better prices nor, if there comes any such facility, its over-bearing interest do actuate them to accept the facility lest it would defeat the purpose.

To suggest remedies, the market for their commodity should virtually be maintained in the hands of the growers by elevating their economic condition with proper financial facility at a least possible interest and a practical step should be taken to educate the agriculturists with the principle of business—how the crops grown more than the requirements lead them into the hands of the buyers.

(vii) No; the principal buyers do not feel any financial stringency to help both imports from the interior and exports to the distributing centres. The market remains always in the hands of the buyers and other bodies without any standard of quality which varies every season.

(viii) Postal remittance and remittance through banks are the main channels of moving funds.

(x) Negotiable instruments are getting into popularity steadily in the internal trade of the province. The major portion of the trade is now-a-days conducted through instruments.

(xi) It will help to further the popularity of use of bills to avoid cash remittances—which are always fraught with risks.

(xii) Sight hundies are more in currency than the usance bills for 30 or 60 days' sight.

(xiii) No such demand for standardisation of hundies is apparent from the persons dealing with them.

(xiv) Public and the bankers handling instruments appear to be sufficiently protected and benefited under the Negotiable Instruments Act as at present.

(xv) Yes, local hundies in some instances are discounted here and are also held by the local merchants in the bazar.

(xvi) There is system of re-discounting hundies of the approved parties by the merchants.

(xvii) Railway receipts and bills of lading are sometimes employed for raising money in the process of marketing.

(xviii) No such difficulties are being experienced.

Question 3. (i) It is known that an acre of land is valued between Rs. 1,200 to Rs. 1,500. The value varies according to nature of crop produced in lands. Paddy-growing land is valued less and jute-growing lands are valued more.

(ii) Value of land is determined according to the amount of crops which can be produced in the land; quality, productive power and fertility affect the prices.

(a-c) The value of land decreases when sold for arrears of revenue or sold in execution of decrees of Civil Court. The reasons are that purchasers in such sale, remain ignorant of the nature of the land.

In private sales, the purchasers have opportunity to know the nature of the land and its quality, etc., and therefore the value is accurately fixed.

Question 4. (i) It is known that with the amendment of Bengal Tenancy Act there is no longer any legal impediment to mortgage raiyati holdings and no legal impediment is yet known to mortgaged lands.

(ii) The amendment of the Bengal Tenancy Act has greatly eased the mortgage of agriculturists' holdings.

(iii) The smallness and fragmentation of agricultural holdings stand to a small extent in the way of establishing long-term credit.

(iv) Yes, there are both joint-stock and indigenous banks in this district for provision of long-term credit to agriculturists against land mortgages. Professional money-lenders too afford facility for long-term credit to the agriculturists.

(v) They are mostly limited companies and generally raise their capital by sales of shares and inviting public deposits.

(vi) There are banks of such descriptions.

(vii) (a) In the record-of-rights, the names of 16 annas superior landlords, with specification of shares of each landlord, should be inserted in place of the existing form and the name of the taluk should be described in the record-of-rights along with the touzi number.

The record-of-rights should also contain the names of all the heirs of the deceased tenant, with a note as to who among them are really in possession of the holdings. This will help mortgagees to be on their guard while accepting mortgages of lands.

(b) No better suggestion can be made for simplification of the process of foreclosure and sale than the one in existence under the law.

Costs of reference to the record-of-rights and of process of law should be reduced for the good constituents of the banks. This can be easily done by order from the proper authority.

Question 5. (v) Largely due to the professional money-lenders.

(vi) Steadily increasing.

(ix) There are itinerant money-lenders, such as Kabulis, in this district; they are lending money chiefly to the labourers at a very high rate of interest.

(xi) Usurious Loans Act X of 1918 has to a certain extent been availed of by the debtors. It is being enforced by Courts minimising the rates of interest; the Court generally gives decree to the creditors allowing interest at 6 pies per rupee per month on the secured and unsecured loans.

(xv) There is no report with regard to any advance system against paddy.

(xvii) Yes, there are cases like these in the interior.

(xviii) Yes.

Question 6. (i) There are two rice mills and one oil mill in this district which are not going on satisfactorily on account of insufficient productions of the district.

Question 6A. (i) There are small industrial institutions in the district: The Steel Constructions Company, Ltd., and several other tea estates. They are yet in their infancy. The paid-up share capital is their principal nucleus and occasionally they borrow money from the local banks to meet their occasional demands.

(ii) This may be suggested by raising their share capital.

Question 6B. (i) The loans are granted to the people who are not agriculturists by the different co-operative credit societies opened under Co-operative Act in different parts of the district. Professional money-lenders too grant loans to these people.

(ii) Economic distress, marriage and other social functions. Rate of interest for money borrowed is on an average of 35 to 40 per cent. per annum.

(iii) See reply No. 6B (i).

(iv) Increasing.

Question 7. (i) There do not appear to exist any business relations between the co-operative banks and the other banks (both joint-stock banks and indigenous banks) in the district but the Imperial Bank of India always gives the co-operative banks proper facility for finance by way of cash credit.

(ii) The co-operative societies in this part do not, as they appear, experience any difficulty in obtaining finance; they do hold deposits from public for both short and long term; and their finance is also contributed by their parent institution—the Provincial Co-operative Bank, Ltd.

(iii) The probable extra capital requirements in financing the co-operative movement in this district may be approximately estimated at rupees fifteen to twenty lakhs only.

(iv) There does not appear any competition among different banks inclusive of the Imperial Bank of India.

(v) No.

(vi) Yes.

Question 7A. (i) There is provision for individual loans to individual members and depositors under co-operative credit societies.

(ii) Free inter-lending business between co-operative societies and joint-stock banks, inclusive of loan offices, may be taken into consideration when the banks and the loan offices are properly recognised by the authority of co-operative banks or federated under a central head.

(iv) No relation is apparent amongst them.

(v) The paid-up capital and the reserve fund, as it is, do not warrant proper guarantee for undertaking such business in moving funds from one place to another as they are wholly employed, nor do they possess sufficient funds to undertake such business.

Question 7B. (i) There is no marked improvement towards this direction.

(ii) Credit societies in the rural areas of the district have, as far as it has been understood, replaced professional money-lenders by 15 per cent. on an average.

Part IA.—Loan Offices and Joint-Stock Banks in the Mufassal.

Question 1. (a) (1) Comilla Union Bank, Ltd., (2) Comilla Banking Corporation, Ltd., (3) Model Bank, Ltd., (4) People's Bank, Ltd., (5) Pioneers' Bank, Ltd., (6) East Bank, Ltd., (7) Tripura National Bank, Ltd., (8) Comilla Loan Office.

(b) (1) Chandpur Bank, Ltd., (2) Bengal Traders' Bank, Ltd., (3) Puran Bazar Bank, Ltd., (4) Model Bank, Ltd., (5) Chandpur Loan Office, (6) Comilla Union Bank, Ltd., (7) Imperial Bank of India.

Question 2. A few copies of balance sheets are enclosed herewith (not printed).

Question 3. (i) Rates of interest allowed on deposits vary from Rs. 2 to Rs. 8 per cent.

(ii) Maximum period for deposits is 3 years.

Question 5. (i) Loans are granted for crop requirements and for other purposes. Investments are on increase from January to June, which are specially to crop purposes; the average rate of interest is from 35 to 40 per cent. per annum.

Question 6. (i) Yes, against mortgages of immovable and movable properties and in some cases on personal security.

Question 7. (i) The whole object of this bank is to push up money-lending business.

(ii) As they appear they are more inclined and also show more disposition to money-lending business than other ordinary commercial banking institutions. This tendency of such investments is only due to their anxiety to show better results immediately, to increase their share and commission.

Question 9. (ii) Yes.

Question 10. Yes, for better regulation.

Question 12. No.

Part II.—Indigenous Banking.

Question 1. There is no such bank in this subdivisional headquarters, Chandpur. Neither is there any professional money-lender, styling himself as banker of this description.

Question 8. (i) These banks may be made more serviceable to the community by *regulating the rate of interest* for their investments by the proper authority.

Question 11. (ii) Yes.

Question 12. There is no unemployed surplus balance.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (iii) Postal Savings Bank, Imperial Bank of India Savings Bank and co-operative banks' Savings Bank and Joint-Stock Banks for attraction of investments.

(iv) Yes.

(v) The facilities of this description may be improved by offering a bit better rate of interest.

Question 2. (i) Yes, the Postal Cash Certificates are very popular form of investments in this part of the country. The popularity may be enhanced, if the rate of interest may in any way be possible to bring to its former level.

(ii) As above.

(iii) Yes.

(iv) Generally speaking, middle class people and merchants resort to such forms of investments.

Question 3. (i) and (ii) Every facility for purchase and sale of all securities, including Government Papers, is offered by the Imperial Bank of India, Chandpur.

(iv) Occasionally the farmers lend to fellow-agriculturists, but instances of this character are very scarce, for economically, all are equal.

Question 4. (i) Cheque habit is growing steadily amongst merchants and educated people.

(ii) The abolition of stamp duty on cheques has helped its popularity.

Question 5. (i) The banking and investment habit in India, specially in Bengal, is of very slow growth.

(iv) The opening of new branches in recent years by the Imperial Bank of India has given a good impetus to the people towards banking habits. It has practically helped in the mufassal towns to get the people, other than the merchants and traders, acquainted with what is called instruments—cheques, etc.

67.

Rai Bahadur Pyarilal Das, B.L., late member of the Bengal Legislative Council and late Chairman of the Dacca Municipality, senior partner of the banking firm "Budhunath Sukhlal Poddar" of Dacca Town.

Part II.—Indigenous Banking.

Question 1. There are two indigenous banking firms now at Dacca, ours is one, and that of the late Jagabandhu Poddar and his sons is the other. Our firm is of not less than fifty years' standing. Its head office is at Dacca with a branch at Calcutta.

The following are the different kinds of business we transact:—

(a) Financing traders and merchants, e.g., cloth-merchants (importers), hide-merchants (exporters) and also other traders.

(b) Discounting of *hundis* issued by or on other banks or bankers.

(c) Remittance from Dacca to Calcutta or from Calcutta to Dacca by means of *hundis*.

(d) Lending money on promissory notes.

(e) Lending money on mortgage bonds.

(f) Lending money to such agriculturists only as are our tenants.

We do not receive deposits now. This business has been given up on account of the failure of certain firms at Dacca in recent years.

Question 2.—

Cloth-merchants.—Several cloth-merchants of Dacca make their purchases at Calcutta through us. Our purchases are all cash, i.e., payment is made within 7 days of the purchase. The goods are delivered at our godown at Calcutta; our *gomosta* there prepares what is called a *bijog* (i.e., invoice) and despatches the articles to the cloth-merchant of Dacca for whom the purchase was made. The *bijog* is sent to our Dacca office. After noting the same in our books, we make it over to the merchant concerned. The Railway or Steamer Receipt is sent direct to the merchant and he takes delivery of the goods. We thus finance him on condition that his daily sale-proceeds will be sent to us at the end of the day to be credited to his account kept by us. Our charges for this service are—

(i) *aratdari* 12 annas per Rs. 100 per mensem,

(ii) actual costs of packing, carriage, freight, etc.,

(iii) interest on the money advanced,

the rate varying from 10 to 12 annas per mensem per Rs. 100. The system followed is called *Katamiti Sud*, i.e., deductions are made from the principal daily as the sale-proceeds come in and the interest also decreases accordingly. Interest is charged on the price of the cloths from the day it is paid to the Marwari dealers, and on the amount of costs, etc., from the day the goods are despatched. Interest runs from day to day.

These charges are for what is called *cutcha arat* in which the goods are despatched at the cloth-merchant's risk. But in "*pucca arat*," i.e., where the risk in transit is the financier's, our *aratdari* charge is Rs. 3-2 per mensem per Rs. 100.

Hide merchants.—When they get an order for supply from a big firm at Calcutta they begin to make purchases from local dealers with advances taken from us from time to time. Such advances are made to our known clientele on their personal credit without any security when the full complement of the purchase has been made. The hide merchant despatches the same to Calcutta by steamer and makes over the steamer receipt to us as a collateral security drawing at the same time a hundi on the Calcutta firm in our favour for the total amount advanced. We send it on to our Calcutta Branch, our man presents it to the firm ordering the supply and they refer him to their bankers, who make the payment. Interest is charged on the various amounts thus advanced at 12 to 14 annas per Rs. 100 per mensem.

We finance *other traders* also. They have given security of immovable property and we have fixed a limit up to which we shall advance money to him, interest being charged at 12 annas per mensem per Rs. 100.

We sometimes finance traders without security also. That depends upon the honesty and credit of the party concerned.

Assistance rendered by us in *financing agriculture* is, as I have already stated, confined to our tenants only.

We do not finance *any industry*. The Dacca Bank used to do this, but it is now in a moribund condition.

Our charge for issuing *hundis* is on an average 2 annas per Rs. 100, and for discounting *hundis* on other banks 2 annas per Rs. 100. The rate varies according to the period of maturity remaining to run.

Question 3. (a) Six lakhs in our firm; probably nine lakhs in that of Jagabandhu Poddar.

(b) Purchases of about six lakhs of rupees are made by us in a year, all the businesses taken together. Our business in discounting *hundis* is not much.

(c) We employ altogether 23 persons in our head and branch offices on an average pay of Rs. 25 per mensem. The annual expenditure on this head is thus Rs. $25 \times 23 \times 12 =$ Rs. 6,900.

					Rs.
$25 \times 23 \times 12$	..	..	..	=	6,900
Add—Khoraki paid to same	Rs. 900 + 300	..	=	1,200	
	Total	..			8,100

We have also to pay interest on loans that we have to take from time to time. We own the office buildings both at Dacca and Calcutta, and have not to pay any house-rent on that account.

(d) There is inter-lending between us and Jagabandhu Poddar's *Gadi*. *Hundis* on Marwari firms at Calcutta are discounted by us on occasions if the party presenting the same is known to us and is solvent. Sometimes we pay him after obtaining advice from Calcutta by wire that payment has been received by our *Gadi* there on account of that *hundi*. We have kept Government securities in the Imperial Bank of India, both at Dacca and Calcutta, and against that we draw. Save and except this, the Imperial Bank does not give us any special facilities. Surely, the Imperial Bank should be prepared to give advances on personal credit to approved indigenous bankers of reputation and standing such as ourselves. We have no business relations with any joint-stock bank or any co-operative banks.

Question 4. Our *hundis* are all *Khara Hundis*, i.e., *Darsani* or payable at sight *hundis*. There is no special form for it. The language is that of a promissory note written in Bengali. We use a special yellow-coloured paper, but no printed form.

Question 5. (i) Money lent on promissory notes bears interest at Re. 1 per cent. per mensem and is payable in 3 to 6 months. Interest on money lent on mortgage bonds is almost always added to the

principal at the end of 3 months, 6 months, or a year and in cases of annual rests, its rate is 12 annas per mensem per Rs. 100. Our business in this direction is not much. That is done mostly by Babu Ramanath Das.

As regards terms and nature of loans given to traders, and merchants, *vide* replies already given to question 2.

(ii) We have kept Government securities in the Imperial Bank of India, both at Dacca and Calcutta, and against that we draw when occasion arises.

At times we also borrow from the Marwaris on deposit of Government papers; 75 per cent. of the current market value of such securities is advanced by them. The limit is the same with the Imperial Bank also.

(iii) The usual rate was 6 annas per mensem per Rs. 100. These were not fixed deposits, but generally 15 days', 20 days', or a month's verbal notice used to be given for withdrawals, and the deposits were received on the understanding that repayment would not be asked for during the "season" (which at Dacca is from Jaistha to Bhadra) when we need money most.

(iv) Our *hundis* are not discounted by the Imperial Bank of India, probably due to want of faith in the Bengalee's business reputation and character.

Question 6. (i) The rate of interest charged by us from the agriculturists is 2 pice per rupee per mensem. The loan is given on the security of the tenants' *jot* land. No compound interest is charged in these cases and if the borrower is a good tenant, much less than the stipulated interest is always realised; otherwise full payment of the amount due at the rate stipulated in the bond is insisted on.

(ii) Interests have had a downward tendency. They have come down by at least 25 per cent. from what they were 40 or 50 years ago.

(iii) Unless education spreads, reduction of rates of interest would not much benefit the agriculturist.

Question 7. (iii) Reduction of stamp duty on *hundis* is necessary.

(iv) Our dealings with our clientele are smooth and easy. Indigenous bankers are easily approachable, at all times of the day and even up to certain hours at night and their business methods are simple. This is very much appreciated by small traders and merchants. No one can get any payment from the Imperial Bank in the morning or after 3 p.m. even in case of pressing necessity.

Question 8. (iii) Except at Calcutta, Bombay, Madras and a few other places, loans cannot be raised by deposit of title-deeds (*vide* proviso to section 59 of the Transfer of Property Act). This is inconvenient. The section should be so amended as to extend such facilities also to such important trading centres as Dacca, Narayanganj, etc. Dacca specially needs such facilities.

The Imperial Bank or any such central bank should accommodate 11 approved indigenous banks and bankers by giving advances on personal credit. They should give some interest on movable property such as jewellery.

(iv) Personally I would not oppose any such measures, as these would be for public benefit. If publicity would not entail expenditure on the part of the indigenous bankers, there is no objection to that. Interference with their method of business will be objected to. There will be opposition to disclosure of the names of partners, sub-partners, sleeping partners, etc.

Question 9. We get a net return of 10 to 12 per cent. from our business including everything.

Question 10. In the "season" difficulty is sometimes felt by us for insufficiency of working capital. As loan from local private money-lenders affect our credit, we cannot take resort to them; and the Imperial Bank would not accommodate us by advances on personal credit. Facility in this respect is very much needed.

Question 11. (i) The Central Reserve Bank or its provincial branches should discount *hundis* of indigenous banks or bankers, whose names will be registered in their office as approved parties, and allow them credit up to certain limit to be previously fixed after due inquiry. By this means such banks and bankers will be linked with the central money market and provincial capitals.

(ii) Yes. I am much in favour of such measures.

(iii) There should be Government control over such a bank. That will inspire confidence in the indigenous banks.

(iv) If there is a limit fixed that such a bank will not undertake transactions below certain amounts, there will be no competition. I do not believe there will be any competition between such a bank and indigenous banks.

Question 12. (i) During the months of Falgoon to Baisakh and again in Aswin and Kartik, money lies idle in our hands. We keep it at home or in our current deposit accounts with the Imperial Bank. During those periods, rice-merchants sometimes take money from us. For the last 3 years hide business at Dacca has been almost nil.

63.

Babu Prasanna Kumar Sen, Senior Partner of the Banking Firm "Jagabandhu-Prasanna Kumar Sen" (popularly known as Jagabandhu Poddar's firm) of Dacca Town, the biggest indigenous bankers of Dacca.

Part II.—Indigenous Banking.

Question 1. We do only hundi business and not money-lending. Nor do we receive deposits from the public or others.

Question 2. (a) We principally finance the hide trade. The exporters make over the railway or steamer receipts to us together with a hundi drawn by them in our favour to the following effect:—"We take Rs. _____ from the firm of Jagabandhu & Prasanna Kumar Sen of Dacca and shall repay the sum in Calcutta through so and so (*vis.*, the Calcutta merchant to whom the hides are consigned)." We then advance

him a certain percentage of the price (say, Rs. 750 out of the estimated price of Rs. 1,000). The time allowed for repayment is usually 3 days. If there is delay, 2 pice per Rs. 100 is charged for each day of delay. The rate charged for such hundis is usually 2 annas or 3 annas per Rs. 100. Sometimes it is 1 anna or 4 annas according to the position or status, i.e., credit, of the party.

(b) We also arrange remittance from Dacca to Calcutta and vice versa. A party wanting to send money from Dacca to Calcutta deposits it in our firm here, and we issue a hundi in his favour on our Calcutta branch. The charge is—

2 annas per Rs. 100 for sums below Rs. 500.

1 anna 6 pies per Rs. 100 for sum of Rs. 500 to Rs. 5,000.

1 anna 3 pies per Rs. 100 for sums above Rs. 5,000.

The Imperial Bank rate is as follows:—

4 annas per Rs. 100 up to Rs. 999.

2 annas per Rs. 100 up to Rs. 9,999.

1 anna per Rs. 100 from Rs. 10,000 and upwards.

(c) Many traders and businessmen of the Dacca town have current accounts with us. If they have got permanent homes in the town and are known and reliable persons, we give them advances either in cash or by hundi to import goods from Calcutta. Their daily sale proceeds are made over to us and credited to their personal ledger accounts kept by us. An interest of Re. 1 per mensem per Rs. 100 is charged from them for the amounts thus advanced, but no interest is given to them for their deposits in the current account. Not less than 50 persons have got such accounts with us.

(d) Several petty traders keep their daily sale proceeds with us at night for safe custody on personal ledger accounts. When the accumulations have come up to, say, Rs. 1,000, they would sometimes take a hundi from us for Rs. 2,000 to meet their business requirements.

(e) Hundis of other mahajans (such as Marwaris) are discounted by us if the parties presenting them are known to us to be men of credit.

Question 3. The head office of our firm is at Dacca; we have got a branch office in Calcutta.

(a) I cannot give any idea as to the amount of capital invested in our business.

(b) Our daily transactions amount, at least, to a lakh of rupees.

(c) Twenty-five or 30 men are employed in our Dacca and Calcutta offices, and we have to pay Rs. 1,000 a month for salaries. The office buildings are our own property and we have not to pay any rent.

(d) We have current accounts with the Imperial Bank of India, Dacca Branch. Government papers are kept with them as security and against that we draw when necessary. At Calcutta we have got transactions with the Lloyd's Bank. We have no relations with co-operative or other joint-stock banks.

Messrs. Ralli Brothers & Co. and Messrs. Radha Kissen Motilal (Chamaria's firm) of Narayanganj sometimes take money from us. We do not charge anything for that. In return they generally arrange our remittance from Dacca to Calcutta and vice versa without any charge. But on occasions we have to pay.

Question 4. We deal in only *khara* or sight hundis. As business has contracted and credit has come down, we no longer use *muddati* hundis. Sample copies of our hundis were taken by the Dacca Imperial Bank for transmission to the Banking Enquiry Committee.

Question 5. (i) Already replied under Question 2.

(ii) We do not borrow from others, but draw upon the Imperial Bank up to the limit of our security, if occasion arises.

(iv) Our hundis are not discounted by the Imperial Bank; they only accept them for collection and pay the party presenting them only after realising the same from our *gadi*.

Question 7. We serve our customers at all hours—whenever they come to us. Hence it is convenient for them to deal with us and they appreciate it. The Imperial Bank of India, so far as the Dacca Branch is concerned, is understaffed. Hence much delay occurs in our transactions with them. They often refuse to accept coins pleading want of time to examine and count them.

Question 8. (iii) The Imperial Bank rate is rigid, viz., 1 anna per Rs. 100 for all drafts for Rs. 10,000 and above. The rates should be lower for higher amounts, say, above Rs. 25,000 or so. They afford no special facilities to, nor do they show any special considerations towards, old, reliable and substantial clients. They do not give any credit, beyond the limit of the security, to even such big bankers as ourselves, although our transactions with them in a year cover about 50 lakhs of rupees. On one occasion a cheque of mine for Rs. 80,000 was refused as it exceeded the limit of my security by Re. 1-10 only. I beg to suggest that the Imperial Bank should have with it a list of bankers, approved after due enquiry, with a note showing the limit up to which advances may be given to each on personal credit. That would much facilitate the business of the bankers.

Question 9. We do not derive much profit now, but have been keeping on the business as we have been doing the same for about 60 years.

Question 10. As business has much declined of late, we have not been under the necessity of refusing any demand for accommodation owing to insufficiency of capital.

Question 12. (i) Sometimes it happens that a large amount of money does not find employment for a certain period. If it is then kept in the Imperial Bank at Dacca in current deposits, no interest is earned on such deposits. For this reason we often purchase Government papers with the money and deposit them with the Imperial Bank. The Lloyds Bank pays interest on current accounts. Thus, our money sometimes flows to Calcutta for short periods.

89.

Memorandum of statement made by Mr. Rajani Kanta Pal, one of the biggest indigenous bankers of Dacca.

1. We transact the following kinds of business:—

(i) Financing the brass and copper industry of the Dacca town and other places by supplying raw materials to the manufacturers. They have got accounts with us to which their daily sale proceeds are credited.

The amounts, thus credited, are daily deducted from the principal and the interest runs from day to day. This is called katamiti interest. The rate is Re. 1 per mensem per Rs. 100. Interest is calculated at the end of the year—in Chait—and the balance, if any, is compounded with the principal (that may remain unpaid), and a fresh account is opened for the next year. In addition to the interest we charge Re. 1 per Rs. 100 for aratdari. No security is taken from the manufacturers by us for their financing them. They are known parties and business is done usually on credit. They sign in our Khata.

(ii) We similarly finance cotton yarn and cloth business. Here aratdari is charged at 6 annas to Re. 1 per Rs. 100 according to the credit of the party.

We have a gadi in Calcutta also and we make remittance there by hundis through Jagabandhu Poddar's firm, who are our bankers.

(iii) We also lend money on security or without it. Rate of interest is from 8 annas to 12 annas per mensem per Rs. 100. It varies according to the credit of the party and not according to the security. Interests are compounded generally at the end of the year, but sometimes after 6 months. Up to the time of the War, the rate of interest was not more than 8 annas per mensem per Rs. 100. It has gone up since up to 12 annas. In the bonds the "wada" (the stipulated time for repayment) is generally up to the end of the year.

We do not finance agriculturists. Nor do we receive deposits.

2. We have current accounts with the Imperial Bank of India, and have deposited Government securities with them, against which we draw up to a limit of two-thirds of the market value of the securities.

3. I cannot give any idea of our working capital.

4. We have 8 employees. Our annual expenses amount to Rs. 10,000 or Rs. 12,000. Our business has much declined during the last two or three years and we have not made much profit. I cannot give any idea of net return on our capital.

5. We do not borrow from outsiders. If necessary, we draw against our securities in the Imperial Bank. On occasions we have to refuse accommodation for insufficiency of our working capital.

Indigenous bankers would be ready to submit to regulations if privileges like realisation of their dues by Certificate Procedure or some such simple process were conceded to them.

70.

Mr. Golab Chand Somani, one of the proprietors of the firm of Lachminarayan Rambilash and in charge of the firm in Chittagong, as recorded by Mr. D. Gupta, Deputy Magistrate, Chittagong, in the course of an interview.

Part II.—Indigenous Banking.

Question 1. This firm has its head office in Akyab and branches at Calcutta, Rangoon, Khulna, Chittagong and Sandow. My firm lends money principally to traders of all sorts and kinds in all places at which the firm has branches. We also lend money to good and sound

private persons on mortgage of land and other valuable securities, e.g., on pawning of ornaments. We lend money to good and sound agriculturists only from the branches at Khulna and Sandow. We also deal in hundis and telegraphic transfers at all places where we have branches.

We advance money to good and sound traders in buying and selling raw goods, the raw goods being hypothecated to us.

These are principally the kinds of business which other banks and bankers do in this district.

We receive money in deposit but have no cheque system. We have pass books for depositors.

Question 2. We finance all sound agricultural and industrial enterprises. As regards private agriculturists we help them from our branches at Sandow and Khulna. But we are always ready to help all sound and solvent traders and agriculturists and industrialists. We have helped many limited companies manufacturing cloth and carrying on jute mills, rice mills, etc., as also private firms dealing in these things. If these parties are solvent, we advance money on promotes but in doubtful cases we demand security. Only Indian firms and private persons borrow money from us.

Question 3. (a) and (b) I cannot give the answers to these questions so far as they concern the province or the district. As regards the condition of our funds, I cannot give the information without the permission of the head office.

(c) The annual expenses of this branch come to about Rs. 24,000. The annual expenses of the Akyab office comes on an average to about Rs. 30,000. Those at Rangoon are Rs. 15,000, those at Calcutta Rs. 15,000 and those at Sandow and Khulna Rs. 10,000 each.

(d) There are only two big banks here, the Imperial Bank and the National Bank of India but neither of them is an Indian firm. But keen rivalry goes on between these banks. There is also rivalry between the two company banks named above and all private Indian bankers, e.g., the Imperial Bank's charge under the rules is 2 annas per Rs. 100 for telegraphic transfers for sums below Rs. 10,000 and 1 anna per hundred for sums above that, from private persons. But as a matter of fact, they charge now three pice per hundred from all persons sending money to places where the National Bank has branches. The National Bank, which has the same rule, reciprocates the same treatment to the Imperial Bank. But where the National Bank has no branches, the Imperial Bank charges commission at the usual rate given above. This puts private indigenous bankers at a serious disadvantage.

The indigenous bankers generally charge a higher rate of interest in the case of persons who are not acceptable as sound by Imperial Bank and company banks.

Indigenous bankers help Indian company banks also and also get help from them but competition exists between one indigenous bank or banker and another and also between indigenous banks and foreign banks.

Question 4. We use the following credit instruments generally:—

(i) Darshani hundi (sample supplied),

(ii) Muddati hundis and

(iii) Promissory notes payable on demand, (sample supplied). Our hundis are mainly darshani. Payments are made on the day following presentation.

Question 5. (i) Cash credit is given for such periods as are required by the persons taking loans. These loans and cash credit are allowed generally to known parties. But if the parties are new, enquiries are made.

(ii) We carry on our business with our own capital. But, if any man lends money on favourable rates of interest, we accept that too. In cases of necessity, we take financial help from private banks as also from Imperial and other company banks.

(iii) We take deposit from outsiders if the interest is within eight annas per hundred per month. In busy seasons, we take deposits at slightly higher rates also.

(iv) and (v) Imperial Bank and National Bank rediscount our hundis. We have no grievance regarding rediscounting hundis as the Imperial Bank and National Bank grant us over-drafts.

Question 6. This branch has nothing to do with loans to the agricultural community.

Question 7. (i) There is no prejudice against indigenous bankers here. Rather the public generally prefer good indigenous bankers to foreign and company banks. The indigenous bankers offer greater facilities. They are always available for service even when company banks are closed and dealings with them may be kept private which company banks cannot do.

(ii) (iii), (iv), and (v) I may be able to answer these matters subsequently at an interview with the Committee.

Question 8. (i) Nil.

(ii) I do not want any compulsion of law for consolidating the bankers or restricting them. I however think it would be for the good of the country and the bankers if local voluntary associations of bankers are made at local centres and guide the operations of the bankers.

(iii) and (iv) I do not want any interference of law with private bankers.

Question 9. It would be 3 to 4 per cent. per annum.

Question 10. The indigenous banks and bankers are not able to meet all demands for accommodation here, and that principally for inadequacy of funds, even though the security is sufficient. If security is insufficient, the man will certainly fail to get accommodation.

Question 11. It would be better if a central reserve bank is formed with local branches, local bankers having control over the management of local branches. This would avoid unhealthy competition and thus the Central Reserve Bank would have the help of the local experience of the bankers.

Question 12. (i) and (ii) The money in the hands of the local bankers is not sufficient to meet all local needs. The money in the hands of the local bankers rarely remains idle for want of investment and it rarely flows to the provincial capital for want of local investment.

(iii) Does not arise.

71.

Mr. Niranjan Bhuia (one of the proprietors of Messrs. Harish Chandra Ram Kanai Bhuia, and in charge of the Chittagong Branch of the firm) as recorded by Mr. D. Gupta, Deputy Magistrate, Chittagong, in the course of an interview.

[NOTE. This is a branch of the firm, which has its head office at Gopaldi, district Dacca. The branch of the firm at 23, Kalikumar Banerjee's Lane, Calcutta, mainly does banking work. Hence the branch office cannot give full particulars on those matters. Niranjan Babu says that he did not receive any questionnaire of the Committee prior to my visit to him. He kept a copy of the questionnaire and gave me this account.]

Part II.—Indigenous Banking.

Question 1. This branch has not done any business in banking. But it has dealings in hundis with only Messrs. Lalji Sundarji, bankers of Chittagong, who occasionally finance this branch. Whenever this branch requires money, it executes hundis in favour of Messrs. Lalji Sundarji, who supply cash. The amount of the hundi is payable to Lalji Sundarji by the Calcutta branch of this firm.

This branch deals in kerosene oil, corrugated iron, salt, rice, etc., hundis are used only for financing this business.

The hundis used by this firm are darshani or payable at sight at the Calcutta branch.

Formerly, this branch had hundi business in this way with other firms also excepting Messrs. Lalji Sundarji named above but has given up dealing with those others.

This branch draws hundis payable only at its Calcutta branch.

It borrows money on hundi but never lends money in this way. This branch has no money-lending business.

The proprietor in charge of the branch cannot give any information regarding the work of the Calcutta branch.

The firm has branches at Silchar, Karimganj, Badarpur, Lala Bazar (Cachar), Balagunj, Sylhet and Jhalakathi. These branches, when they require money, use hundis on local bankers and take loans, the hundis being payable at the Calcutta office of the firm only.

The premium charged by Lalji Sundarji is an interest of 1 anna to 2 pice (6 pies) per hundred. Formerly they took one anna per cent. and for about a month took 6 pice per cent. Again they are changing 1 anna per cent.

Question 2. This firm does not lend money.

Question 3. I cannot give this information, as this branch does not deal in banking.

Question 4. The only credit instrument used by this firm is hundis. This firm has no dealing with any bank other than Lalji Sundarji.

Question 5. (i) The hundis are darshani or "payable at sight." The custom with regard to these hundis is that the holder of the hundi, if it is Messrs. Lalji Sundarji or some company bank (to whom Lalji

Sundarji might sell the hundi) will receive payment as soon as he presents the hundi at the Calcutta branch of the firm. If, however, the hundi is made over to any private person or merchant, that merchant has to do *sakran*, i.e., he has to present the hundi on the first day at Calcutta firm and intimate the firm that he will call for payment on the next date and then on call on the next day, he will receive payment.

(ii), (iii) and (v) This branch cannot give any information on these matters.

(iv) The hundis of Messrs. Lalji Sundarji are accepted by the branch of the National Bank of India in Chittagong, who pay cash to Messrs. Lalji Sundarji with discount, in exchange for the hundis. The Imperial Bank of India at its Chittagong branch do not, so far as the deponent knows, accept and pay cash on such hundis.

Questions 6 to 12. This branch cannot give any information on these matters.

72.

Joint Memorandum on Indigenous Banking in Calcutta by Mr. Kasturchand Kothari, Proprietor, Sadasukh Gambhirchand, Mr. Balmukund Daga, Manager, Bansilal Abirchand, and Mr. Dipchand Poddar, Partner, Tarachand Ghanshyamdas.

Part II.—Indigenous Banking.

Question 1.—The indigenous bankers of Calcutta do almost all types of banking business, viz., receive deposits at interest and lend on personal credit, security and guarantee for financing trade and industries. With few exceptions, all of them have other business along with banking because of the obvious advantage of the mixed system. Being in business, the indigenous bankers are in a better position to know the financial condition of the prospective borrowers, who are very often their own customers in trade than the organised banks, and as personal credit is the most important basis on which accommodation is granted in indigenous banking, this knowledge is extremely helpful to the bankers.

The relative importance of business and banking varies with firms, and also with the season. There is continuous exchange of funds from one side to the other.

The following are the most important indigenous banking firms of Calcutta:—

- (1) Tarachand Ghanshyamdas.
- (2) Bansidhar Abirchand.
- (3) Sadasukh Gambhirchand.
- (4) Hursukhdas Balkissendas.
- (5) Kanayalal Daga.
- (6) Ramkissen Bagri.

Question 2.—The indigenous bankers of Calcutta finance trade and industries but not agriculture directly. They do not finance the movement of tea. They are concerned mainly with the distributing trade

of imported goods from Calcutta and also with the movements of commodities to Calcutta for export. They also assist the small and medium sized industries in and around Calcutta as well as the collieries which cannot secure accommodation from banks. The indigenous bankers finance the distribution of imported goods from Calcutta through wholesale dealers who receive accommodation from them. As for the financing of exports to Calcutta, they grant loan to merchants who go to mufassal for purchase, lend money to local aratdars and help the movement of commodities by advancing on railway receipts and similar other papers. The amount invested is on the average Rs. 2 crores.

Question 3.—(a) Amount varies as mentioned but an average estimate is given in reply to question 2.

(b) The volume of business has shrunk considerably in recent years. Formerly practically the whole of the trade mentioned in question 2 used to be financed by them.

(c) Expenses are naturally lower than in banks. It is difficult to make an estimate more so as the same staff is also engaged in the trade activities of the firm. Roughly, 25 per cent. of the profit of a normal year may be regarded as the expense of the establishment.

(d) In Calcutta, the relation between the indigenous bankers is cordial and the bankers always accommodate one another. They have business relationship with the Imperial Bank and to a small extent with some of the joint stock banks and exchange banks (for foreign business only) but none with the co-operative banks.

Question 4.—Hundis are generally of two kinds, darshani (on demand) and muddati (time). Each of these can be either shajog, i.e., to be paid through a well-known man or dhanijog, payable to the bearer. The bankers also lend on promissory notes, purja and grant cash credits (khatapeta). In the last case the borrower signs his name in the book of the banker and a stamp (one anna) is affixed. The banker also lends on the mortgage of landed properties and jewelleryes but the volume of these loans is not large.

Question 5.—(i) See reply to question 4. Cash credits are generally granted to local traders. Interest is calculated on daily outstandings. Rate of interest varies from 6 per cent. to 12 per cent. per annum and according to season, nature of the loan and the credit of the parties.

(ii) The indigenous bankers provide themselves with extra funds by—

(a) deposits,

(b) rediscounting their hundis with the bazar people,

(c) by accommodation from the Imperial Bank and to a small extent from the joint stock banks.

(iii) The maximum rate of interest on deposits in Calcutta is Rs. 5-13 per cent. per annum; often it is less.

(iv) The Imperial Bank fixed the limit up to which it will grant such accommodation to each banker and even then is reluctant to rediscount if one of the signatories is comparatively a weak party. Formerly a firm having branches in Madras and Bombay also had limits fixed in each of the Presidency Banks and so could rediscount

up to those limits separately in those places. With the formation of the Imperial Bank, there is now only one limit and so the facilities have been curtailed. The maximum limit in Calcutta is now Rs. 6 lakhs. Formerly a Calcutta firm with branches in Madras and Bombay had also limits of Rs. 6 lakhs in each of these centres and the total accommodation was Rs. 18 lakhs; now it is only Rs. 6 lakhs. During recent years the policy of the Imperial Bank has been to curtail their business as much as possible.

The Central Bank of India and to a very small extent the Bank of India rediscount a little, but the exchange banks do not. Some 8 to 10 years back, the exchange banks used to do rediscounting business particularly in Bombay but the practice has now ceased.

(v) The facilities can be increased if—

(a) the limits are raised;

(b) cash credits are granted to the indigenous bankers on joint promotes;

(c) the Imperial Bank agrees to discount or rediscount trade bills;

(d) the stamp duties on hundis be reduced, say to 3 pies per Rs. 100, so that more borrowers will have recourse to hundis which are negotiable;

(e) the Mitakshara system be so modified as to afford protection to the lending bankers against any possible repudiation of debt by minor members of a firm when they become major. The present law works against both lenders and borrowers, as the latter also find difficulty in raising loans on the mortgage of landed properties;

(f) the general monetary situation be eased during the busy season by starting to issue of emergency currency when the bank rate is still 5 per cent.

Question 8.—If the indigenous bankers are granted certain privileges in realising their dues as are enjoyed by banks (under chapter 37, Civil Procedure Code) they would be agreeable to keep separate their banking accounts and to subject themselves to restrictions like examination of their books by authorised auditors and general supervision.

Question 9.—In Calcutta the net return does not exceed 9 per cent. on the invested capital.

Question 10.—The volume of business offered to the indigenous bankers has certainly diminished, particularly in the remittance line since the opening of branches by the Imperial Bank in the mufassal but their resources also have dwindled more rapidly because—

(a) They receive less deposits now. The banks get more of the deposits, specially in the Native States, which were formerly very important sources of deposits for the indigenous bankers.

(b) The issue of Treasury Bills at high rates denudes the market of all floating funds and the indigenous bankers find it extremely difficult to rediscount their hundis in the bazar to replenish their resources.

- (c) High yield of postal cash certificates now diverts funds from the indigenous bankers. The maximum amount that can be held by one man in postal cash certificates should be substantially reduced say to Rs. 5,000.

In addition to the factors mentioned above, the general credit position seems to have become worse and as a consequence the business done by the indigenous bankers at present is not more than one-fourth of that transacted before the war.

Question 11.—(i) Please see the reply to Question 5 (v).

Replies to supplementary questions.

Question 1.—Can you give an estimate of the export and import trade of Bengal financed by indigenous bankers? To what extent such bankers finance the inter-provincial trade of Bengal?

Answer.—No accurate estimate can be given. Roughly it is rupees ten crores. The indigenous bankers have very little direct shares in the trade that passes from one centre to another of the Province (outside Calcutta).

Question 2.—Among the indigenous bankers of Bengal, what is the relative proportion of those who belong to the Marwari community and those who do not?

Answer.—Calcutta bankers who finance trade are mostly Marwaris, Bengalis have very little share excepting a few firms connected with the trade of Dacca. Bengalis prefer to invest on mortgage of landed property.

Question 3.—Do these bankers take any part in the finance of small and middle-sized industries situated in and around Calcutta? If they do, what is the method by which such loans are given by them, and what is the usual rate of interest?

Answer.—Yes, the indigenous bankers finance to a great extent the small and middle-sized industries in and around Calcutta and also collieries that cannot get accommodation from banks. Loans are granted in such cases by hundis on personal credit alone. Rates of interest vary from 9 to 18 per cent. per annum.

Question 4.—What kinds of securities are generally demanded by the indigenous bankers for loans granted to industrial establishments?

Answer.—No security is generally taken for these loans.

Question 5.—In the matter of giving loans, do they make any distinction between loans required for capital expenditure and loans wanted for meeting current expenses?

Answer.—The bankers do not care to know whether the loan is intended for capital or recurring expenditure.

Question 6.—What are the sources from which indigenous bankers obtain their funds?

Answer.—Please see reply to Question 5 (ii) of the general Questionnaire. The indigenous bankers have now to rely on their own resources supplemented by the accommodation they receive from the bazar.

Question 7.—Do the indigenous bankers usually keep any deposits with joint stock banks? To what extent do they subscribe to the loans floated by the Government and the important public bodies of Calcutta?

Answer.—The indigenous bankers often keep deposits with banks for emergency. Such deposits add to the prestige of the firm. The bankers do not subscribe largely to loans raised by Government or public bodies.

Question 8.—Is there any special feature in the hundi business carried on by indigenous bankers in Calcutta?

Answer.—The only peculiarity is that in Calcutta, darshani hundis are paid one day after presentation except when they are presented through a bank.

Question 9.—Do you recommend the introduction of standard forms of hundis?

Answer.—No, the personal element in the hundis will be lost in case standard forms are introduced. Provided the negotiable character is in no way affected, the present forms should remain unaltered.

Question 10.—What proportion of your hundis is rediscounted by—

- (a) the Imperial Bank of India,
- (b) the exchange banks, and
- (c) Indian joint stock banks?

Answer.—The subject has been discussed in reply to question 5 of the general Questionnaire. No accurate information is possible on the percentage of the total rediscount-business of the indigenous bankers done by banks. In no case, it will exceed 10 per cent. of the total business.

Question 11.—Has indigenous banking declined in Calcutta during the last 25 years? If so, what are the reasons for the decline?

Answer.—Yes, it is now not more than one-fourth of what it was 25 years ago. The causes of the decline have been narrated in reply to question 10 of the general questionnaire.

Question 12.—Is there any association of indigenous bankers in Calcutta? If so, may we have a list of the members and a copy of the rules of business?

Answer.—There was an association before, but it does not exist now.

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Rai Jadunath Mazumdar Bahadur, C. I. E., Managing Director, Jessore United Bank and Director, Jessore Loan Company, Jessore.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a), (b) and (c) The cultivators when they are in need borrow money with or without interest, generally with interest.

(ii) The interests that are now charged generally vary from Rs. 1-8 to Rs. 3-2 per cent. per month and interest is paid for the period the loan remains unpaid. Very rarely security is given. Loans are granted mostly on bond, registered or unregistered. Ninety per cent. of the loans to the agriculturist are unsecured.

(iii) Government in exceptional cases of flood or famine or failure of crops make advances of small sums of money to cultivators but realise it in a very vigorous manner under the Public Demands Recovery Act, through Sub-Deputy Collectors and Nazirs.

I am not aware whether Imperial Bank plays any part in agricultural finance.

I am not aware whether the joint stock banks in other districts have done much towards financing agriculturists, but most of the mufassal banks and loan companies lend money to the agriculturists on moderate interest. The co-operative banks have done some good in this direction in certain localities.

Banks, professional money-lenders, merchants and dealers, etc., render considerable service to agriculturists by advancing loans.

(iv) A crore to a crore and a half will be necessary for various parts of this district and about 40 to 50 crores for the entire province.

(v) There is virtually no regular system of financing agriculturists except through co-operative credit societies, which do not lend money largely for purely agricultural purposes, but advance money for indiscreet expenses for performing sradhs, marriages, religious ceremonies, etc. The difficulty of financing agriculturists lies first in the facts that they are generally improvident. Very seldom they try to save money. They sometimes spend their money in purchasing useless things. They are also imitating higher class bhadralogs in their modes of living. Their holdings are very small and no bank situated at a distance from a particular village will think of purchasing small holdings in case of failure to pay the money, though the holdings may be transferable, as they have been now made by the Bengal Tenancy Act. The difficulty of speedy realisation is another serious factor. One has to sue and go through all the dilatory processes of Civil Courts in order first to get a decree and then to attach and have the property sold and then to find a purchaser for the sale, which cannot be always procured except with great difficulty as neighbours, unless they are unfriendly, do not wish to go against the interests of a neighbour. Mufassal banks are thus put to great difficulties in realising money from the agriculturists. The co-operative credit banks have the advantage of realising the money through Public Demands Recovery Act, which the ordinary banks do not get.

In this connection I may give the results of my experience which I have gained by my contact with two principal banks of the district, the Jessore Loan Co., Ltd., and the Jessore United Bank, Ltd.

The Jessore Loan Company was started with the idea of financing zemindars and middle-class men, who in times of need had to borrow money from professional money-lenders at exorbitant rates of interest. The starting of the companies has brought down the rates of interest in this district and the object aimed at was largely achieved; but it did not do any good to the agriculturists and starters of small industries as the company could not count upon what is called human asset and found by experience the difficulties in realising small monies from such classes of borrowers. With a view to help agriculturists and starters of small industries the Jessore United Bank, Ltd., was started more or less under the auspices of those who are still connected with the Jessore Loan Co., Ltd., twenty years ago, and the experiment of lending money to agriculturists has, I am glad to say, on the whole proved successful and this success has been mainly due to the personal contact of the management with the agriculturists of the neighbourhood.

The illiterate agriculturists, whether Hindus or Muhammadans, are generally honest and do not try to evade just debts, unless they fall under the influence of touts or are reduced to poverty by death of some earning members of the family, loss of cattle through plague, loss of house by fire mostly through his own carelessness or that of his neighbours, through ruinous litigation either with the landlord or some co-sharers over the paternal property, through protracted illness or loss of crops from drought or flood or ravages of insects. I have always found that an honest though poor agriculturist is better than better placed dishonest people though rich. Landed security is no guarantee either for punctual payment or for liquidation of debt. Bank which lends money can hardly be expected to run itself smoothly, if compelled to sue its borrowers, who through the help of the Courts can resist payments for a number of years, if not totally. The United Bank had, however, been able to manage its affairs smoothly. No bond is registered and money is lent chiefly on personal security of the creditors, but it has to face difficulties now and then on account of the reasons given above.

Remedy.—The remedies that I suggest are as follows:—

(i) The Government should grant some facilities of the Public Demands Recovery Act to the banks as it does to the co-operative banks. It may be urged that the co-operative banks are controlled more or less by Government while the private banks are not. But the companies Act may be so amended that the advantage of recovery may be given to those banks who submit to Government supervision, the cost being defrayed by the banks.

(ii) The Imperial Bank or a new bank to be established by Government to be designated "State Agricultural Credit and Small Industry Bank" should be empowered to advance loans to private banks on the security of their assets when such banks agree to Government inspection and control provided they affiliate themselves to the State Bank. Such banks will be allowed to deposit money on current and fixed accounts and also to draw money at the rate of interest at which they advance money whenever necessary. The transactions with the State Bank should be allowed to be done through the agency of Government treasuries and sub-treasuries, provision being made for such transactions.

(vi) There is at present no co-ordination among various credit agencies including Government. As the law stands at present there is no scope for improvement in this direction. Private banks willing to come under

direct control and supervision of Government will be in a better position to help each other as well as to demarcate their spheres of work.

Question 2. (i) Generally the raiyats themselves bring their crops to the market. In some cases small dealers purchase the crops from the raiyats at their houses and then bring to the market. The raiyat, if he is poor, is unable to hold up his crop for a better price. The well-to-do raiyat generally does not part with his crop till he secures the highest price. The raiyat has generally no reserve to fall back on and as soon he gathers his crop has to spend money for family expense, to pay his landlord as well as the mahajan, if any. Owing to the sunset law, the big landlord has to pay his revenue punctually in Asar (June), Aswin (September), Pous (January) and Chaitra (March) and raiyats have also to pay according to those kists. And in order to pay his rent or debt he has to part with his crops sometimes at cheaper prices than what he could get if he could hold up for sometime.

Holding up, however, sometimes proves disastrous to the raiyats owing to their ignorance of the condition of the Calcutta market. Take jute, for instance. Prices are very fluctuating. When the prices are rising raiyats think they would get higher prices if they hold up; but it often happens, prices fall down all on a sudden and raiyats fall into a pitiable position. I have often found them holding up jute for two and three years expecting higher prices and ultimately compelled to sell at nominal prices.

(ii) At present I do not find any possibility of forming any pool or combined co-operative efforts. They are neither likely to make much headway in marketing produce. The raiyat does not yet believe that any one else than himself can sell his produce to the best advantage. Illiteracy and ignorance are the stumbling blocks in the way. I have myself tried to form such societies and failed owing to the raiyats mutual distrust of each other.

(iii) There are no co-operative sale agencies in my district.

(iv) At present the raiyats sometimes take advance only in respect of jute crop from middle-class jute dealers entering into a verbal agreement with him for selling jute of particular quality at particular prices, and when the jute is ready it is taken by the persons who have advanced the money. The raiyats sometimes try to evade the agreement when they find the price of jute higher than contracted rates, and the advancer also tries to reduce the contracted rate when he finds the market dull. The raiyats sometimes borrow money from money-lenders to hold up the jute and sell it later on at higher prices.

(v) No difference between internal and foreign trade.

(vi) (a) All goods are exported to the port of Calcutta through certain mokams or marts of the district. They are carried by boats, steamers as well as railways. Some European firms and Marwaries have also their own agencies for jute business in the mufasal of the district such as Lohagarh, Brahmandanga, Sailkupa, Magura Barobazar, Kesabpur, Kotchandpur and so on. The villagers bring the goods to the market. They are purchased directly by the local merchants or intermediate dealers and then export them to Calcutta where they are taken to arats of Hatkhola, Tala, Ultadanga, Belgachia, and so on. The local merchants sometimes have their own capital and also borrow from banks and money-lenders and also take advances

from aratdars at favourable rates who in their turn borrow money mostly from the Marwaries and also from Bengali banks and money-lenders as well as from Calcutta banks.

(b) The import trade; rice, paddy and jute.

(a) and (b) Goods are imported mostly by European merchants and from them they are purchased at present mostly by Marwaries and other non-Bengali merchants and then there are intermediate dealers Bengalis, Marwaries, up-countrymen, etc., and they in their turn sell to mufassal traders. These export and import trades are all financed in the same way.

(vi) (a) European banks very rarely are of use to Bengali merchants and traders and the few Bengali banks in Calcutta have not money enough to finance import and export trade of Bengal. Marwari merchants have a combination of their own and help each other and are also patronised by European banks and firms. Formerly there were Bengali banians in almost all European firms but now they have been wholly replaced by non-Bengalis, who are mostly Marwaries as Bengalis are no longer liked by Europeans on account of their progressive politics. So import and export business in Bengal has almost gone out of the hands of the Bengalis.

The only remedy that I can suggest is that there should be a State Bank in Bengal under the management of Bengalis.

Question 3. (i) The value of land per acre varies in different localities. In some places where the rivers are dead and where malaria prevails and the villages have been virtually depopulated, lands go a begging. In such places land can be had at Rs. 25 to Rs. 50 an acre with an annual rent of Rs. 3 to Rs. 4-8 a year. This is one extreme. The other extreme lies at places where the rivers are still alive, the lands are inundated and fertilised by the deposited silt, and in such cases the value of land is Rs. 100 to Rs. 300 per acre. The rate of rent also being a little higher, i.e., from Rs. 4-8 to Rs. 6 per acre per year. In exceptional years, when the price of jute is exceptionally high, an acre of land may fetch even Rs. 400 to Rs. 600.

(ii) The factors as stated above are healthiness and unhealthiness of locality, the condition of rivers, the scarcity of population.

(a) In Government sales revenue-paying estates are sold either for non-payment of road and public work cesses or for non-payment of revenue. When entire estates are sold they fetch more value proportionately than when a portion is sold.

(b) In Civil Courts, sales for arrears of rent, free from incumbrances fetch higher prices than ordinary sales. Agricultural holdings when the lands are khas fetch more prices than when they are occupied by under-tenants, etc. In recent years Civil Court and land revenue sales have not fetched more than 10 to 15 times of annual profit.

Question 4 (i) There is no legal impediment to mortgage of land in agricultural holdings if the rights therein are permanent.

(ii) The amended Bengal Tenancy Act has come into operation recently and it is yet too early to speak of its influence upon the credit of the agriculturists. But it is expected on the whole to raise agricultural credit.

(iii) The smallness and fragmentation of the agricultural holdings of this province and in this district stand much in the way of establishing long-term credit institutions.

(iv) There is no land mortgage bank in this district. The Jessore United Bank, however, advance large amounts to purely agriculturists on three years' credit, but the bank is finding greater and greater difficulties year after year in realising monies advanced and is now gradually restricting its operations only to the sadar subdivision of the district. Some other joint-stock companies, such as the loan company, and the banking and trading company, also lend money to agriculturists to a limited extent. Private money-lenders also lend money to agriculturists. Money is also lent to zemindars and tenure-holders on mortgage of their properties.

(v) The capital is raised by issuing shares and taking deposits and the banks lend money just as any other man would do. The United Bank lend money to agriculturists and do not insist on registration of the bonds.

(vi) Land mortgage banks have been always found in the end to be transformed into zemindari companies. Zemindars borrow money, and interest goes on accumulating and in the end the mortgage banks and even other banks, which are not named as such, are compelled to sue the zemindars and eventually to purchase the properties at considerable loss as very few zemindaries can be profitably managed to yield a dividend of six per cent. on the capital spent in purchasing it. Land mortgage banks can be usefully established if provision is made not only for lending money but also for managing the zemindary and improving the lands and then letting out to tenants. This can be done only through usufructuary mortgages. I have a scheme of my own which I can submit, if required.

(vii) (a) The record-of-rights, so far as my experience goes in the district of Jessore, Khulna, Faridpur and Barisal, has made confusion worse confounded. The settlement operations have unsettled state of things and it is very difficult to suggest any means by which disputes and contra claims by parties other than those who are the clients of the bank can be avoided. I have thought over the matter and I think it is rather impracticable to do anything.

(b) It will require an amendment of the Civil Procedure Code. Provision should be made that as soon as a decree is obtained by a land mortgage bank and the payment is not made within a month of the date of the decree, the bank will be entitled to possession.

(c) I do not consider the cost to be so heavy as to require any reduction.

(viii) Working capital can be derived from all the three sources.

(ix) The debenture bonds will carry greater weight if there is Government guarantee both for principal and interest.

(x) Provision should be made for Government control and supervision in order to secure Government against loss.

(xi) Agricultural mortgage banks can be started under the same condition both with or without Government guarantee provided the Public Demands Recovery Act be made applicable. If monies are lent at 18 per cent. per annum the banks themselves will not be able to secure more than nine per cent. for dividend and that should be the minimum

rate of interest of the agricultural bank at present. No bank can obtain deposit now at less than 6 per cent. and shareholders will not generally invest money unless they get at least 12 per cent.

Question 5. (i) I am not aware.

(ii) to (iii) (a) and (b) An approximately correct estimate can be made of the existing indebtedness of agricultural classes from—

(i) The registration offices.

(ii) Through Presidents of Union Boards or President Panchayats where there is no Union Boards.

(iii) Ornaments, plough and agricultural implements are not generally mortgaged by agricultural classes. Ornaments of agricultural classes are generally of silver and rarely of gold and they are seldom pledged. Lands are generally mortgaged, and this can be found out from the registration offices, which now a days do a very brisk work as ordinary money-lenders very seldom lend money without having their deeds registered.

(iv) (a) Debts are incurred for repayment of earlier date.

(b) Marriage, sradh and puja.

(c) Litigation.

(d) Famine and other kind of distress.

(e) Payment of land revenue and debts.

(f) Very rarely.

(g) Purchase of cattle.

(h) Not at all.

(i) Not at all.

(v) Government lends money on very strict terms on the occurrence of famines and failures of crop and other kinds of distress and realise them through Deputy Magistrates, Nazirs and often police officers almost relentlessly. Co-operative societies, indigenous banks and professional money-lenders also lend money.

(vi) Owing to high price of jute, agricultural indebtedness, I think, is decreasing in this district.

(vii) So far as I am aware, the needs of agriculturists in this district are, except in case of famine or flood, seldom met by Land Improvement Loans Act of 1883.

(ix) Itinerant Kabulies are found not as money-lenders but sellers of winter clothes, foreign as well as country made. They sell on credit at exorbitant prices and then realise money from the cultivators with or without interest by sheer physical force.

(x) Usurious rates of interest have almost disappeared from this district.

(xi) Civil Courts never allow usurious interest.

(xii) There is no standard rate of interest. Generally 12 per cent. is allowed.

(xiii) So far as I am aware this is not the practice here in this district.

(xiv) Government or recognised banks may open golas with convenient centres and provision should be made for the realisation of same through the Public Demands Recovery Act if the cultivator fail to pay within the stipulated period.

(xv) The interest of paddy loans is 25 to 50 per cent. In some places it is decreasing.

(xvi) Rates of interest varies from 12 to 24 per cent. The interest is calculated at monthly rates, and for any fraction of a month interest is charged for that fraction only and not for the full month.

(xvii) Very rare in this district. I have seldom come across such thing.

(xviii) Needs no answer.

Question 6. (i) Cultivators sometimes convert paddy into rice and sell them into market. Small machines (rice mills) have been introduced in some localities for this purpose.

Cultivators also sell milk. Goalas have only dairy farms.

Gur-making is very common in this district.

There are sugar refineries also, though the number is decreasing year by year.

There are no cotton ginneries in this district. Hand-weaving is still made by jolas and tauties and not by any other classes. There is also hand-spinning now.

Garden produce is also sold at the market by cultivators.

Solihat-making, and mat-making are also one of the industries of this district.

(ii) This district was noted for sugar industry and the whole of the eastern districts and Assam used to get sugar from this district, but the competition at first of Mauritius, then of beet and then of Java sugar has almost destroyed this industry and Kotechandpur and other prosperous towns of the district have been ruined owing to failure of this industry. The gradual silting up of the rivers is also one of the causes, because boats of the eastern districts cannot ply in any of the rivers on the banks of which the villages are situated.

Advances of money on small interest given to hand-weavers and sugar and gur-makers are likely to improve the industry to a certain extent.

(iii) I can suggest hand-spinning, hand-weaving, basket-making, mat-making, coir-making, bamboo and cane furniture making. Caste prejudice still stands in the way of people taking up any industry other than what is allowed by custom and tradition.

(iv) Best method of securing working capital is advance of loan at small interest.

(v) State Banks.

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Jointly submitted by (1) Mr. Gopal Chandra Biswas, B.L., Pleader, Managing Director, Barisal Rindan Samiti, Ltd., (2) Mr. Kali Prasanna Cuha, Deputy Chairman, Barisal Co-operative Central Bank and Zemindar and (3) Mr. Rajani Kanta Chatterjee, Secretary, Barisal Loan Office.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (1) Professional money-lenders.

(2) Money-lending landlords within their own estates.

(3) Co-operative Societies.

(4) Joint stock banks (rarely).

(5) Government (during famine and scarcity).

(a), (b) and (c) Generally for cultivation purposes and occasionally for other needs, but raiyats do not appear to incur loans for permanent improvement of land, which is done by their landlords.

(ii) Generally 18 to 25 per cent. One-fourth and three-fourths.

(iii) Professional and landlord money-lenders play a great part. Recently co-operative societies have been playing a considerable part. Other agencies nominal parts.

(iv) Difficult to say without reference to statistics but may be Rs. 50 lakhs or more annually.

(v) Defects in agricultural financing—

(a) Want of sufficient capital.

(b) Exorbitant rates charged by greedy professional money-lenders.

(c) Want of means of money-lending landlords to lend requisite amounts within their estate where neighbouring lenders are unwilling to lend for risk and trouble.

(d) Increase of cost of stamp duty and registration fee.

(e) Increase of litigation cost and law's delays in realisation.

(f) Unwillingness on the part of lenders on account of improvident habits of our raiyats due to illiteracy and ignorance.

(g) Court's undue leniency to judgment debtors.

Suggested remedies :—

(1) Government should allot each year for each district a sufficient amount according to local needs for granting loans under the Agricultural Loans Act, 1884, and also fixing a moderate rate of interest for the same.

(2) In cases where Government considers it inconvenient to grant loans directly to the raiyat advance may be made to their landlords on condition that the latter should grant loans to the former at a specified rate of interest having a margin of profit for risk and trouble.

(3) Agricultural loans should be exempted from stamp duty and registration fees, and court fee stamp on suits for realisation of those loans should be remitted or substantially reduced.

(4) Steps should be taken by propaganda work for popularising co-operative societies and establishing the same in every important village or group of villages throughout the district.

(5) Establishment of Government aided industrial agricultural banks at each subdivisional headquarters at the district.

(6) Establishment of free primary schools for general mass education to promote habits of thrift and economy and co-operation.

(vi) (1) At present there is practically no co-ordination.

(2) Experimental attempt has been made by establishing an All-Bengal Bankers' Federation in Calcutta to co-ordinate the work of the various joint stock companies and loan offices in Bengal.

Suggestions for improvements in every district.

(1) There ought to be an association of all banks within the district for concerted action for the mutual benefit of bankers and their clients.

Question 2. (i) (a) Beparies or itinerant traders going round in big country boats purchase the produce going to each village directly from the producer. In this way the bulk of the produce is sold.

(b) Some quantity of produce is taken by the producers to the nearest market at a distance of several miles and there sold either directly to the consumers or to the beparis.

(c) Sometimes the producer holds up his crop for a better price, but that is not always possible owing to pressure for payment of landlord's and creditor's dues.

(ii) Marketing would be greatly facilitated if in every big village or a group of villages at least one co-operative purchase and sale-society is formed which may stock the purchased produce at a convenient place and then arrange for sale to the consumer at exporting centres of trade. Experiments in this direction may be tried with success.

(iii) We are aware of only one sale-society organised by Babu Saral Kumar Dutt, M.A., M.L.C., about two years ago at Barisal. Some village societies have also been organised. Loans are being given from these societies repayable in agricultural produce. The Central Society is getting working capital by way of loans from the Provincial Co-operative Bank. Similar societies should be organised throughout the district.

(iv) Beparies are mostly helped with loans by professional money-lenders and with advances by big dealers at exporting centres.

(v) (a) Beparies (itinerant traders), farias (small dealers) and mahajans (big dealers) through whom the produce passes from the producer to the exporting port are helped with loans mostly by professional money-lenders and partially by other credit agencies referred to above.

(vi-b) The suggestion of speculative activities being the cause of producers not getting full value for their crops is not altogether unfounded, though we cannot give any fact and figures. The producer can get full value if middlemen can be eliminated. This is possible by educating and training our agriculturists to work on co-operative lines in growing and marketing the produce.

(vii) Suffering more for want of capital than for other reasons.

(viii) Mostly postal money orders and insurances and partly by hundis.

(ix) Suggestions for improvements.

Establishment of a central bank at the district headquarters with a view to co-ordinate the work of the town and mufassal banks and the development of the cheque system money order and insurance should also be abolished or substantially reduced.

(x) Negotiable instruments play very small part in the internal trade of the district.

(xi) Bills of exchange should be duty free.

(xii) Hundis are of two classes, viz., (a) payable at sight or on demand, (b) payable after a stated period.

(xiii) Standardised form may facilitate its use but should be without stamp.

(xiv) Discounted at provincial centres and not locally.

(xv) No.

(xvi) Not in this district.

Question 3. (i) Land growing only paddy, average per acre Rs. 400. Land producing paddy and other crops, average per acre Rs. 300, calculating at 10 times the net profit.

Execution sales rarely fetch full value. Revenue sales fetch more than execution sales, as the purchaser in Revenue sale is put to less trouble and risk in avoiding incumbrances and getting possession. Voluntary sales in most cases fetch full value.

Question 4. (i) Legal impediments removed by the amended Bengal Tenancy Act.

(ii) Bengal Tenancy Act has greatly improved the credit of the agriculturists. In some instances this has been the cause of ruin of the raiyats.

(iii) Smallness of landholdings is unfavourable to the establishment of long-term loan institutions.

(iv) None in this district. Establishment of such banks may be beneficial to the middle-class and agriculturist. The joint-stock banks may also advance on mortgage of lands, but experience shows that there are difficulties in realising the mortgage dues by expensive and ruinous litigation. These difficulties may be removed if the mortgage bank is placed in possession of the mortgaged property for realisation of interest and principal. We would also suggest that in case of mortgage by agriculturist stamp duty and litigation cost may be dispensed with or reduced.

(v) Improvement of record-of-rights—

Periodical corrections (at least every 15 years) should be made. The Bengal Tenancy Act (Chapter X) should be amended if necessary.

Question 5. (i) It is difficult to say without referring to statistics. But it will be over Rs. 50 crores in this province.

(ii) It is extremely difficult to prepare accurate statistics. But estimate of loans by registered documents may be obtained through the Registration Department. Income-tax Officers may also supply

valuable information regarding the amounts of loan transactions of assesses. The Civil Courts may also supply information regarding loans for which suits have been brought. Of the total indebtedness, secured debt may be $\frac{1}{4}$ th and unsecured $\frac{3}{4}$ ths. Of the latter class, the amount secured by pledge of ornaments and implement will be very small.

(iv) All the purposes mentioned in the question except last two [(h) and (j)].

(v) To all classes of creditors named in the questions except probably Government and joint-stock banks.

(vi) I think it is increasing.

(vii) Save during famines and scarcity loans are scarcely given under these Acts except probably in Government khasmahal.

(viii) By making sufficient allotment of money in the Provincial Budget every year and by fixing the rate of interest at 6 per cent.

(ix) There is a dozen of Kabuli money-lenders or thereabout in this very town (Barisal), who charge high rates of interest and realise their dues by resorting more to violence than to the law court. There is a good number of them in the commercial centres in the interior.

(xi) Not availed of to a desirable extent.

(xii) Our courts do not follow any standard rate in case of secured and unsecured loans.

(xiii) Since the enactment of the Usurious Loans Act, 1918, such devices are being practised, although rarely.

By establishing in each village or group of villages Dharmagolas or co-operative grain banks for giving such loans to the agriculturist of the locality repayable in kind with interest exceeding 1/8th.

(xv) and (xvi) Interest on paddy loan is 25 to 50 per cent., according to needs. The said interest is charged for 6 months or so, i.e., from Ashar or Sravan when loan is taken to Poush or Magh when it is repaid.

(xvii) and (xviii) There may be some instances but we do not think that their number is large nor do we think it takes away the incentive to produce more.

Question 6. (i) (a) There are three or four rice mills in the district but they are not in a prosperous condition. Manufacture of gur (molasses) on a small scale mostly by agriculturists seems to have been successful. Garden produce on commercial scale is tried now and then but not with success. There does not appear to be any other noticeable industry in the district except two oil mills.

(ii) Suggestions for improvements.

Joint-stock companies for improvement of home industries and rice-milling have been tried in this and other districts but without any success, probably for want of expert knowledge and business-training. However, attempts should be made again till success is achieved. Experiments in the following directions may be tried, viz.—

(a) Manufacture of cocoanut oil, fibre and other products from cocoanut.

(b) Preparation of *palo* from shati roots.

(c) Dairy-farming and garden vegetable in the vicinity of municipal areas within the district.

(iii), (iv) and (v) Sir P. C. Roy wanted our cultivators to spend their spare time in spinning and weaving by introducing charkas and hand-looms in every populous tract. This may be tried by the District Board. I understand there are weaving instructors in the employ of some district boards. The working capital for the above purpose will not be much and may be supplied by the credit agencies referred to above.

Question 6B. (i), (ii) and (iii) Indigenous bankers and joint-stock banks grant loans to non-agriculturists. They generally borrow for—

- (a) payment of old debts;
 - (b) payment of rent and revenue;
 - (c) expenses at *sraddha*, marriage and other ceremonial occasions.
- At rates of interest varying from 9 to 12 per cent. per annum in case of secured loans and from 12 to 18 per cent. in case of unsecured loans. They get very little help from other credit agency.

(iv) I think it is increasing.

Question 7. (i) Co-operative central banks receive deposits from joint-stock banks.

(ii) Limited working capital in comparison with the vast agricultural area.

(iii) Difficult to say but it will exceed 21 crores.

(iv) I do not think there is any competition.

(v) I think it may be stimulated in the way suggested. I think it may receive another stimulation by exempting the interest on deposit from income tax.

Question 7A. (i) Loans to depositors and shareholders should be permitted.

(ii) I do not find any necessity for enlarging the scope of this section. The provisions of the section 32 appears to be adequate.

(iii) I advocate co-ordination and free interlending between co-operative and joint-stock banks.

(iv) Relations between co-operative and other banks is friendly and in this town Rindansamity, a joint-stock bank, is a big depositor of the Co-operative Bank.

(v) I do not see any provisions of the Co-operative Societies Act acting as a bar.

Question 7B. (i) I think that their establishment has reduced the rate of interest.

(ii) Professional money-lenders have been appreciably replaced. It may be to the extent of one-eighth or a little more.

- (iii) (1) Illiteracy and ignorance of the agricultural population.
- (2) Want of sufficient working capital.
- (3) Want of sufficient propaganda work.

Part 1A.—Loan Offices and Joint-Stock Banks in the Mufassal.

Question 1. The annexed tabular statement shows the number of loan offices with their details.

Question 5. (i) Rindansamity charges compound interest at yearly rest. But in some cases remits the same. But the Barisal Loan Office invariably remits in cases of amicable settlement.

(iii) No such practice exists in this district.

(iv) Suits on bonds or handnotes are not generally brought until on the last day of limitation period; in some cases the limitation is saved by taking written acknowledgment of liability accompanied by some payment of interest or principal.

Question 6. (i) Rarely.

(ii) Not so under present conditions.

Question 7. (i) No.

(ii) They can discount hundis though they are not doing so at present. There is no practice of lending on Railway receipts as there is risk and trouble in realising by sale of the goods if the loan is not amicably paid.

Question 8. (i) The Rindansamity reserve about two-thirds of its net profit last year.

(ii) Barisal Rindansamity declared dividends at 12½ to 20 per cent. during the last five years.

Question 9. (i) The following important account books are generally kept, viz., (1) a general ledger (jamakharach, in which all kinds of income and expenditure are entered); (2) an account of all kinds of deposits or in some banks their separate accounts; (3) an account of all kinds of loan transaction or in some banks separate accounts for secured and unsecured loans; (4) abstracts (khatians) from the above books showing amounts of different classes of deposit, loans and expenditure. The accounts are generally kept on cash basis and not mercantile basis.

(ii) I think it will be convenient to the banks and their clients if a uniform system of keeping accounts is followed.

Question 10. Federation is highly desirable. I am glad that an attempt is being made in this direction by establishment of the All-Bengal Bankers' Federation at Calcutta.

Question 11. I agree with the views expressed by the Central Bank of India in its memorandum published in the "Liberty," dated the 3rd January 1930, to the following effect:—

"Instead of opening branches of city joint-stock banks in the district, efforts should be made to open district joint-stock banks under the supervision and guidance of city joint-stock banks. District joint-stock banks should be started with capital in accordance with the importance of the district and its banking requirements. At least one-fourth of its capital should be subscribed by the parent institution and the balance of the capital should be taken up by the district.

It should have a Board of Directors of its own consisting of prominent merchants and landholders of the district, and the present bank should supply its management and guide them in their working. The district bank should work independently with such control of policy as may be mutually agreed upon between the parent bank and the district bank. The city bank and the district bank, two separate entities, would greatly facilitate the discounting and rediscounting business of demand and usance hundis. Besides this advantage, the

district joint-stock bank would be able to attract deposits and savings bank accounts, the promoters and directors being men on the spot and known to the district. It could satisfy the wants of the merchants through its parent institution and would be in a better position to determine the credit of the commercial community of the district. The public would consider such banks backed up by a large joint-stock bank floated with their own capital managed by their own men, as their own institution and would naturally feel inclined to give them preference over others. The parent bank would have in it a suitable medium through which the trade of the district could with safety be financed. The district joint-stock banks should come in touch with co-operative banks and co-operative credit societies in the different subdivisions of the district, and through them should lend moneys on agricultural products and raw materials."

Question 12. No.

Part II.—Indigenous Banking.

Question 1. (a) Lending money.

(b) Dealing in hundis.

(c) Sometimes receiving deposits for purpose of lending.

Question 2. They help to a large extent—more than half. They sometime lend direct to the agriculturist and sometime to their landlords, who in their turn lend to their raiyats. They lend also to merchants and traders.

Question 3. They sometimes borrow money from joint-stock banks for the purpose of lending at higher rates. They also keep deposits occasionally.

Question 4. Usual forms are used. There is nothing peculiar in them.

Question 5. (i) They grant loans on mortgages, simple bonds, handnotes and also by entries in account books for short term.

(ii) Principally raised by loans.

(iii) Twelve to 36 per cent.

Question 6. (i) Eighteen to 36 per cent. on money loans and 50 per cent. more in case of paddy loans.

(ii) By establishment of co-operative societies in each important village or group of villages.

(iii) I believe so.

Question 7. (i) To certain extent there exists such prejudice.

(v) Their conduct and dealings are in some cases unfair and dishonest, but we cannot suggest any remedy in law except compelling them to submit in the civil court or the office of the District Collector periodical statements of their loan transactions.

Question 8. (i) (a) By fixing in law a maximum rate of interest for loans;

(b) by checking occasional dishonesty and corruption by compelling them to submit periodical statement of their loan transactions.

(ii) Establishment of association for co-ordinating their work and promoting sympathetic and cordial relation amongst themselves.

(iii) We recommend that incomes not exceeding Rs. 5,000 being exempted from income-tax in order to leave them a decent margin of profit.

(iv) They may assume a hostile attitude at first but it will disappear in course of time.

About 12 per cent.

Question 10. We think they refuse more for want of capital than for unacceptable nature of security.

Question 11. (i) Local associations, district associations should be formed with a view to promote co-operation and good feelings among the members. This will raise their respectability and status and will induce joint-stock banks to deal with them.

(ii) The joint-stock bank may receive deposits from the indigenous bankers and allow them to nominate some persons to work as director of the joint-stock banks.

(iv) If they have mutual dealings there is no likelihood of competition among them.

Question 12. (i) I do not think there is any surplus.

Part III.—Investment Habit and Attraction of Capital.

Our views on this head are summarised as follows:—

(a) Our peasantry is very much backward in habits of saving and investment. This is due to illiteracy, ignorance and improvidence, which may be removed by gradual spread of mass education which should be made free and compulsory.

(b) Our peasantry are in the habit of investing their savings in ornaments, mostly silver ornaments.

(c) In prosperous years their savings are spent in useless fancy articles, viz., cloths, toys, churis (gilded ornaments), utensils, in feasts, in amusements and sometimes in ruinous litigation and purchases of agricultural lands at fancy prices.

(d) The existing investment institutions are quite insufficient. In every important village or group of villages there should be at least one co-operative society where deposits can be easily made by them.

(e) At each district headquarters there should be a training institution for instructions in the work and management of co-operative societies. The main provisions of the Co-operative Societies Act, how the accounts are kept and how the rules of societies are constituted and managed, etc., should be taught. The persons receiving such training may be easily employed on moderate pay for organising and working co-operative societies in important villages throughout the district.

(f) Post Office Savings Banks should be more largely opened in the interior.

(g) On account of illiteracy and ignorance our cultivators have not been able to acquire saving habits. They are unable to read pass books nor are they able to keep them in safe custody for want of decent and strong boxes.

Efforts may be made for introducing cheque system as suggested in the questionnaire.

**Tabular statement of non-co-operative joint-stock
banks in Bakarganj district.**

Tabular statement of non-co-operative

Serial No.	Name of banks at district headquarters.	Paid up capital.	Reserve fund.	Short deposit.	Intermediate deposit.	Long term deposit.
		Rs.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1	Barisal Bindansamity, Ltd.	16,000	19,778 14 8 Invested in Government securities.	84,469 4 6	7,71,493 7 0	Nil
2	Barisal Loan Office Co., Ltd.	18,950	55,000 0 0	86,848 12 4	43,21,053 0 0	Nil
3	Slek Loan Office Co., Ltd.	13,811	1,000 0 0	9,749 7 9	11,013 8 0	20,917 2 6
4	Popular Loan Office, Ltd.	9,185	Nil	302 7 0	2,861 7 3	Nil
5	Khairabad Loan Office, Ltd.	15,485	5,629 11 3	13,366 15 3	1,366 14 0	32,869 1 0
6	Barisal Bank, Ltd. ..	Nil	....	....	....	....
7	Bakarganj Commercial Bank, Ltd.	..	....	....	....	....
Mufassal Banks.						
1	Peroipur Loan Office	20,000	6,000 0 0	....	....	....
2	Patuakhali Loan Office.	12,000	4,000 0 0	10,609 0 0	....	....
3	Bhola Loan Office ..	15,622	4,500 0 0	....	....	28,000 0 0
4	Jhalakati Loan Office.	..	...	....	....	....

joint-stock banks in Bakarganj district.

Longest term of deposit.	Interest on deposit.	Interest on loans.	Mortgaged loan.	Personal loan.	Pledged jewelry.	Loan on Ry. Receipt.	Period of loan.	Dividend for last 5 years—per cent.
Years.	Per cent.		Rs. A. P.	Rs. A. P.	Rs. A.		Years.	
2	3 to 7½	9 to 18 per cent. per annum.	2,54,653 9 3	5,88,237 3 3	8,922 5	Nil	2	1835—20 ^a 1834—18 ^a 1833—15 ^a 1832—12 ^a 1831—12 ^a
2	2 to 7½	9 to 12 per cent. per annum.	2,68,584 10 6	1,57,514 11 6	..	..	2	1835—4 1834—4
4	..	..	1,290 0 0	54,171 2 9	128 14	..	..	1928—6½
..	..	..	400 0 0	8,981 2 3	110 0	..	..	1834—5
4	..	..	14,036 15 6	55,731 7 9	..	..	..	1835—10
..	
..	
2	3 to 7½	..	18,567 13 6	31,068 13 6	1,350 0	..	..	1928-29—10 1927-28—10 1926-27—9½ 1925-26—8½ 1924-25—8½
5	6½ to 9	18 to 25 per cent.	10,475 0 0	30,861 0 0	565 0	..	..	1835—12 1834—15 1833—12½ 1832—10 1831—5
1	..	12 to 20 per cent.	....	....	..	..	..	1927-28—7½

75.

Rai Sahib N. B. Roy, C. E. (retired), Managing Director, Bagerhat Loan Company, and Secretary, Karapara Co-operative Society, Khulna.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—We have in Bagerhat one Loan Company, Ltd., having share capital of Rs. 20,000 and deposits of different kinds over Rs. 7,50,000. Another Union Bank, Ltd., has a share capital of Rs. 25,000 and deposits of over 1½ lakhs.

These two Companies are rival to each other.

(a) At the district headquarters we have 4 or 5 different joint-stock companies doing the business of money-lending.

(b) At the subdivisional headquarters two.

(c) None in other places within the district.

Question 2.—Khulna District headquarters—

	Paid-up capital.	Reserve fund.	Short-term deposit.	Inter- deposit.	Long-term deposit.
	Rs.	Rs.	Rs.		
Khulna Loan Company ..	44,660	40,000	13,67,000	..	..
Bank of Khulna ..	19,375	..	23,000	..	..
At Bagerhat subdivision—					
Bagerhat Loan Company	20,000	..	7,00,000	..	..
Union Bank ..	25,000	..	1,60,000	..	..

Question 3.—Interest paid at the following rates to the depositors :—

(i) (a) Deposit at one year's notice—6-12 to 7 per cent.

(b) Deposit at 6 months' notice—5-4 to 6 per cent.

(c) Deposit at 3 months' notice—4-8 per cent.

(d) Deposit at 7 days' notice—3-12 per cent.

(e) Current without interest.

(ii) One year is the longest period for which deposit is taken.

Question 4.—Funds invested

(a) In Government and marketable securities—very little.

(b) Mostly in buildings and lands and personal security.

(c) None.

(d) Yes mostly.

(e) Small amount on jewellery.

(f) None.

Question 5.—Loans on pronotes and bonds running for years.

(i) Some money is paid at times save limitation.

(ii) On bonds interests are payable quarterly; on default the interest will automatically be included in the principal.

(iii) No.

(iv) Loans are always given (except on pronotes) for a fixed period, but no special step is taken to realise it when overdue, until it is going to be barred by limitation.

Question 6.—(i) Yes, if they can furnish security.

(ii) No, they cannot serve the interest of the agriculturists, they are rather harmful to them, as zaminders and well-to-do people take loan from these companies and on low rates of interest and lend the money to the agriculturists and tenants at a very high rate of interest. This is my personal experience here.

Question 7.—(i) No.

(ii) These loan offices are not managed by practical business men at all; some lawyers do the honorary work, without the least knowledge of banking like village widows doing small business of money-lending. These companies are no better than grocers' shops. They do not pay their staff properly. Their working is most unbusinesslike.

Question 8.—(i) Reserve funds in former days of these loan companies were a myth. They used to note in the balance sheet "Reserve" for bad and doubtful debts. Practically this was a portion sunk in bad unrealisable investments. It was never deposited in a bank or on Government securities or on good shares.

On the failure of some of these companies, they are now investing it in Government securities.

(ii) Loan companies generally pay good dividends at the rate of 10 to 20 per cent. in normal times except Bagerhat Loan Company and Bagerhat Union Bank. The last two companies are in difficulties.

Most of these dividends are declared on bad system of accounting and generally out of capital. They pay dividend on profit calculated on accrued interest and not on actual realisation of interest. In papers it looks as if these companies are earning profit whereas it is not so.

Question 9.—(i) Accounts of loan companies are kept on cash basis system, not on mercantile system.

(ii) Yes, a uniform system of accounting should be adopted by every company. They must keep a Government Certified Accountant to run the show.

Question 10.—Federation is desirable.

Question 11.—I have no faith in honorary working, as is the case with these companies. These companies can do good work if they have much share capital. Under proper organisation these institutions may do banking.

Question 12.—Yes. (1) Bagerhat Loan Company, Ltd., and (2) the Union Bank, Bagerhat. These two companies are in a stage of liquidation. Causes of their failure are many. Bad investments without proper security or on bogus security. These two companies were originally managed mostly by lawyers of the place who were Directors and Managing Directors. They have neither business abilities nor time enough to look after the affairs properly. Office work was run by ill-paid clerks and men without the least knowledge of banking. Even grocers' accounts are better kept than these companies' accounts. To

attract deposits from outside, dividends were paid on accrued interest of the investments although actual realisation fell short of the dues. Dividends were thus really paid out of capital. With only one share qualification, intriguing men of influence captured directorship of the company by sheer canvassing with the sole object of securing debts from the company and evading payments thereof in the end. Depositors who are the backbone of the company were unscrupulously excluded from the Managing Board. Sixty per cent. of the directors should be depositors or large share-holders whose interests are at stake when these companies fail. Defaulting debtors should on no account be directors. Selfishness on the part of the directors, manipulation of accounts, low moral standard, badly paid office staff and honorary workers are the factors that brought about failure of these companies.

76.

Mr. Bejay Chandra Kundu, B.A. Head Master, H. E. School, Adamdighi, District Bogra, Director, Santahar Banking and Trading Co., Ltd., Director, Panchbibi Industrial Bank, Director, Adamdighi Kundu Bhatri Sangha, Ltd., and late Supervising Director, Adamdighi Mahajan Samity, Ltd.

Part I A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. There are nearly 80 loan offices and banks in the district of Bogra. The number is ever on the increase.

Question 2. For this purpose, I have selected two typical loan offices, one from the mufassal, let it be named (A), and the other from the town of Bogra which may be called (B). The figures are given below from the actual balance sheets of these two loan companies, on the 13th April 1928:—

		(A)	(B)
		Rs.	Rs.
(a) Paid-up capital	..	41,250	59,030
(b) Reserve fund	..	7,435	40,145
		($\frac{1}{4}$ th of paid-up capital).	($\frac{2}{3}$ ths of paid-up capital).
(c) Short term deposits	..	69,373	3,30,506
(d) Intermediate deposits	..	45,238	3,21,578
(e) Long term deposits	..	62,681	13,28,618

The total amount of deposits in (A) is four times the paid-up capital and about 24 times the reserve fund. In (B) the deposits are more than 30 times the paid-up capital and about 45 times the reserve fund. The proportions are by no means exceptional. The reserve fund of a loan office or bank in this district is insignificant when compared with its deposits.

Question 3. (i) The rates of interest on different classes of deposits prevalent in this district, as gathered from a comparison of rates in several loan offices are given below :—

- (a) Short term deposits from Rs. 3-6 to Rs. 4-8 per cent. per annum.
- (b) Intermediate deposits from Rs. 6 to Rs. 6-12 per cent. per annum.
- (c) Long term deposits from Rs. 9 to Rs. 10-8 per cent. per annum.

(ii) Generally, the longest term for which deposits are taken is 7 years.

Question 4. Remarks with regard to (A)—

- (a) Government securities and other marketable securities *nil*.
- (b) Rs. 81,736.
- (c) Figures not available.
- (d) Rs. 2,19,557.
- (e) Figures not available.
- (f) *nil*.

Remarks with regard to (B)—

- (a) Indian War Loan Bonds Rs. 2,500 (face value).
- (b) Rs. 7,55,894.
- (c) Figures not available.
- (d) Rs. 5,35,200.
- (e) Rs. 14,229.
- (f) Figures not available.

These remarks hold good for other loan offices in the district. The greater part of the loans is given on personal security and against immovable properties. Advances to industrial concerns are negligible.

Question 5. *N.B.*—My reply to this question applies to loan offices in general in the district.

(i) Loans on promissory notes are to be repaid on demand.

(ii) Loans on simple bonds and registered mortgaged deeds are generally repayable after one year.

The rates of interest vary, according to the amount of loans, the kind of security offered (simple bond or mortgage) and the locality. Thus the smaller the amount, the higher the rate of interest. Loans on promissory notes and simple bonds bear a higher rate of interest than the mortgaged debts. Generally, the rates of interest in the eastern part of the district (pali tract) are higher than in the western part (Khair lands). The rates of interest in the eastern part may be as high as 72 per cent. per annum.

Table of interest on loans given by loan offices in the district—

Amount not exceeding—			General rate per cent. per annum.
(a) Rs. 100	..	..	37½ to 60
(b) Rs. 300	..	..	24 to 37
(c) Rs. 500	..	..	18 to 30
(d) Rs. 500	..	..	12 to 24

These rates apply both to simple bonds and mortgage debts.

(ii) Generally, compound interest is not charged by the loan offices in the district. The monthly interest is to be paid on the last day of the month, in default of which a higher rate is charged. ~~If any debtor is unable or unwilling to pay the monthly interest, he may have the loan on compound interest system, the period of rest being one year. But such loans are very exceptional.~~

(iii) Interest for the month is deducted on the day the loan is taken. After that, interest is to be paid on the last day of each succeeding month. Any debtor living at a distance from the loan office may deposit in advance interest for 3 or 4 months at a time.

(iv) Loans are not generally given for any fixed period but they are to run for the period of limitation of the bond.

Question 6. (i) These institutions generally lend money to those agriculturists who are able to pay and who are willing to mortgage their immovable property. The proportion of loans given to different classes of persons by the loan offices, is as follows :—

- (a) Traders, money-lenders and zamindars—one-third of the loans.
- (b) Cultivators—one-third of the loans.
- (c) Other persons—one-third of the loans.

Money-lenders sometimes borrow from loan offices and lend the money at a higher rate.

(ii) The agencies from which the agriculturists get their loans are the following :—

- (a) Government.
- (b) Co-operative Banks.
- (c) Professional money-lenders.
- (d) Joint stock banks, including loan offices.

Government loans can be had at a very low rate of interest under special circumstances, e.g., at the time of scarcity or flood.

The rate of interest charged by co-operative credit societies is, of course, low but the loans are given on joint responsibility and the rural societies are generally managed by illiterate persons who have no knowledge of accounts and cannot keep them in order. Therefore they work under the following disadvantages :—

Families in comfort generally take loans from loan offices at a higher rate of interest on the mortgage of their lands. But they are unwilling to take loans from co-operative societies on joint responsibility with their less fortunate villagers. Agriculturists are generally poor and small sums of money are lent to them by joint stock banks at a rate of interest as high as 60 per cent. per annum. So the agriculturists as a class cannot live long under these circumstances; their lands gradually pass into the hands of middle classes. The loan offices may be of great service to the agriculturists and be more popular than co-operative credit societies, if their rates of interest be reasonable, a little higher than the rate charged by co-operative credit societies, say, Re. 1-9 per cent. per month. For various reasons, professional money-lenders are gradually disappearing from the field. Loan offices started by such money-lenders are found to be more paying than private money-lending business.

Question 7. (i) Generally, no business other than banking is undertaken by these institutions. A few joint stock companies in the town of Bogra and one in the mufassal were started for the purpose of carrying on trade but after successive losses for 7 years, they opened also banking business along with trade, e.g., Bogra Banking and Trading Co., Ltd., Bogra Commercial Syndicate and Sherpur Motor Co., Ltd. Panchbibhi Industrial Bank, Ltd., which was started for the purpose of carrying on trade as well as banking business, was compelled to confine themselves only to banking.

Question 8. (i) Profits of the bank called (A) on 13th April 1928 was Rs. 13,175 out of which Rs. 800 (1/16th part of profits) was carried to reserve fund. Profits of the bank called (B) on the same date was Rs. 41,984 out of which Rs. 600 (1/70th part) was carried to reserve fund. The reserve fund of loan offices in this district is not generally kept separate from their general working funds.

(ii) The dividend declared by the bank (A) during the last 4 years was—

	Per cent.
1335 B. S.	35
1334 B. S.	30
1333 B. S.	28½
1332 B. S.	28½

The bank (B) declared a dividend of 70 per cent. for the last 4 years.

Question 10. If it is possible to federate all the banks into a District Central Bank, it would be a very happy thing indeed. There is no end to new banks coming into existence in this district. There is a feeling of rivalry among these institutions. They try to surpass one another in declaring high dividends and in doing so, they raise the rate of interest on loans. Many banks in the mufassal cannot work well for want of funds while many banks in the town have less opportunities for investment.

I am not at present in favour of a provincial federal bank. This may come into existence with our experience about the working of the district federal bank.

Question 11. Three classes of persons are generally interested in loan offices:—

- (1) Shareholders.
- (2) Depositors.
- (3) Debtors.

The shareholders have to part with a very small amount of money but they get the greatest benefit from the banks as will be clear from the substantial dividends mentioned before, at the cost of the debtors.

The loan companies generally declare dividends from the first year of their work and within four or five years, the shareholder gets back his entire share capital in the shape of dividends. But the case of the depositor is quite different. The success of a bank depends mainly upon his money for which he gets much less than what the shareholder receives. Moreover, in many cases the depositor's money is not safe. The banks in this district have not very good reserve funds. They like

to spend the last farthing of the profits in declaring dividends to the shareholders. The reserve fund is not also kept separate from the general working funds. It is not also invested in Government or other marketable securities. So in times of great rush for the withdrawal of deposits from a bank, there will be no other alternative but to close the doors of the bank. Even fixed deposits may be demanded at such a crisis on payment of a discount.

To make the position of depositors secure, I desire to suggest the following remedies:—

(1) There must be some representatives of depositors on the board of directors.

(2) The amount of deposits that a bank may have at a time, should be fixed at certain times the paid up capital *plus* reserve fund.

(3) That a decent reserve fund in proportion to its deposits should be created and invested separately in Government and other marketable securities.

(4) There should be a limit to the amount of dividend that a loan office may declare.

(5) There should be a uniform system of accounting to facilitate auditing. The balance sheet should be audited by certified auditors appointed by the Government and *not* selected by the shareholders in a general meeting. There is a widely prevalent belief, though I cannot cite any concrete instance in its support, that the auditors appointed by loan offices sometimes certify balance sheets not quite in order, in the hope that they may be reappointed in future for their acquiescence in irregularities of management. The certification of balance sheets by auditors appointed by the Government will, therefore, increase the confidence of the public in loan offices. The fee charged by such auditors should not, however, be much higher than the present charges for auditing. In case it is not possible to have all the loan offices and banks audited by Government appointed auditors every year, such auditing may be carried on at least once in five years, in addition to the usual annual auditing by Government certified auditors, selected by the shareholders.

(6) The rate of interest on loans from loan offices should be reduced. There is no reason why there should be such a wide difference between rates of interest on large and small loans. The lower the interest charged, the better must be the security. The funds, therefore, will be invested with perfect safety.

Question 12. There has been no bank failure in this district in recent years.

77.

Mr. Indubhusan Chosh, Secretary, Nehalia Loan Office, Ltd., Nehalia, post office Jiaganj (Murshidabad).

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) Berhampore Bank, Ltd.

(b) Murshidabad Loan Office located at Nashipore, and Nehalia Loan Office at Jiaganj.

Question 3. (i) From $5\frac{1}{2}$ per cent. to $7\frac{1}{2}$ per cent. per annum.

(ii) Four years or five years.

Question 5. (i) Periods for which loans are granted are not fixed. Various kinds of purposes are :—

- (1) liquidation of debts,
- (2) purchase of lands,
- (3) improvement of land,
- (4) to clear up a decree,
- (5) for ceremonies, etc.

(ii) Yes, according to the terms of mortgage deed for repayment, if money is not repaid in time the interest accrued on that date is included in the principal amount.

In case of security of ornaments, no compound interest is charged.

(iii) No.

(iv) Wherever time for repayment is fixed, steps are taken if it becomes overdue.

Question 6. (i) These institutions lend money to agriculturists on a proper security, i.e., mortgage deed, immoveable property.

(ii) I do not think so.

Question 7. (i) Besides the banking business, they try to give some facilities to the business men. In some places, for the irrecoverable money, they have got properties and thus they have started zemindari, which is not desirable.

(ii) Sometimes the difficulties arise that the consignee does not pay money on presenting the hundi, nor takes delivery of the goods. It causes loss to the banks as its expenses have already been incurred on corresponding work. It may be useful if the consignee pays for the goods on presentation or delivery of the bill.

Question 8. (i) Not fixed. According to the discretion of the directors.

Question 9. (i) In most cases single entry system is in practice.

(ii) Yes.

Question 10. Very necessary, I think.

Question 12. No failure as yet in this district.

78.

**Mr. Monoranjan Dutta Roy, Secretary, Kishorganj Lakshmi Bank,
Kishorganj (Mymensingh).**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) The agriculturist obtains finance by borrowing money from the registered banks, loan offices, co-operative banks and other private money-lenders.

(ii) The loans are given on mortgage or simple bonds. The rate of interest charged on simple bonds by loan offices is 24 per cent. per annum if interest for 3 months be paid in advance, otherwise interest is realised at the rate of 36 per cent. per annum; central co-operative banks lend money at the rate of 15½ per cent. per annum; private money-lenders charge interest at the rate varying from 2 to 12 pice per rupee per mensem. Money is also lent by private money-lenders on usufructuary mortgage. Debtor is to cultivate the land and pay half of the produce to his creditor in lieu of interest. Sometimes money is lent on a condition of paying certain quantity of crops.

The percentage of the secured loan is 75; and of the unsecured loan is 25.

(iii) At the time of famine Government gives loans to a group of the agriculturists jointly, but it is difficult for the agriculturists to take these loans.

The Imperial Bank of India never lends money to the agriculturists of this subdivision. I have stated above the parts played by the loan offices, private money-lenders, merchants and dealers.

(iv) About 2 crores of rupees are required for these purposes in this subdivision.

(v) Except the Co-operative Central Bank, all other money-lenders including loan offices are doing profits in their business. They never look after the conveniences of the agriculturists.

If the agricultural bank be opened for supplying loan to the agriculturists on easy term and at low rate of interest and provision be made for easy realisation, the agriculturists may get some relief. For the safety of such a bank it is necessary to make provision in law declaring its lien on the produce and priority of the claim over that of other creditors.

Question 2.—(i) Owing to poverty and necessity the raiyats are unable to hold up the crops for better price. The merchants combine and force the raiyats to sell at a price dictated by them. At present the merchant advances money to the raiyat on the latter's promise to pay the produce at the rate dictated by him.

(ii) If co-operative societies be formed at district headquarters and subdivisions with branches at different villages, with raiyats also as shareholders for purchasing their produce at a fair price, the raiyats then can stand against these unscrupulous men. These societies will work as "Aratdars" i.e., the societies will take crops from raiyats and make certain advances to them from time to time. After selling these agricultural produce at fair price the societies, after deducting their profits, will pay the balance of the price fetched to the producer.

(iii) Yes, this year a co-operative sale society has been formed here at Kishorganj for purchasing jute only. Rural co-operative societies and their members and outsiders are shareholders of this society and it is financed by the Provincial Co-operative Bank. This society does not experience any difficulty in obtaining any sufficient funds.

Part 1A.—Loan Offices and Joint Stock Banks in mufassal.

Question 1.—(b) The following loan offices and banks are located at the subdivisional headquarters of Kishorganj:—

(i) Kishorganj Loan Office, Ltd., (ii) the East Bengal Rural Bank, Ltd., (iii) the Kishorganj National Bank, Ltd., (iv) Kishorganj Lakshmi Bank, Ltd., (v) Krishna Bank, Ltd., (vi) Kishorganj Union Bank, Ltd., (vii) Kishorganj Radhanath Bank, Ltd., (viii) Kishorganj Annapurna Bank, Ltd.

(c) At Bajitpur in Kishorganj subdivision:—

(i) The Bajitpur Trading and Banking Co., Ltd., (ii) Bajitpur Loan Office, Ltd.

At Husainpur in Kishorganj subdivision:—

(i) Husainpur Loan Company, Ltd.

Question 2.—(a) Paid up capital of—

Kishorganj Loan Office, Ltd., is Rs. 40,000; East Bengal Rural Bank, Ltd., is Rs. 50,000; National Bank, Ltd., is Rs. 20,075; Kishorganj Lakshmi Bank, Ltd., is Rs. 25,000; Krishna Bank, Ltd., is Rs. 7,865.

(b) Reserve funds of—

Kishorganj Loan Office, Ltd., is Rs. 85,000; East Bengal Rural Bank, Ltd., is Rs. 5,000 and Rs. 50,000 (being the uncalled share money); Kishorganj National Bank, Ltd., is Rs. 1,750 and Rs. 20,075; Kishorganj Lakshmi Bank, Ltd., is Rs. 1,000 and Rs. 25,000.

(c) Short time deposit of—

Kishorganj Loan Office, Ltd., East Bengal Rural Bank, Ltd., National Bank, Ltd., Kishorganj Lakshmi Bank, Ltd., Krishna Bank, Ltd., is Rs. 1,72,971.

(d) Intermediate deposits of—

Kishorganj Loan Office, Ltd., East Bengal Rural Bank, Ltd., National Bank, Ltd., Kishorganj Lakshmi Bank, Ltd., Krishna Bank, Ltd., (Fixed deposit with long term and intermediate deposits) is Rs. 6,62,010.

(e) Long term deposits of—

Kishorganj Loan Office, Ltd., East Bengal Rural Bank, Ltd., National Bank, Ltd., Kishorganj Lakshmi Bank, Ltd., is Rs. 2,56,482.

Question 3.—(i) Rate of interest allowed on deposits—

On current deposits varying from 3 per cent. to 4½ per cent. per annum.

On intermediate deposits from 4½ per cent. to 7½ per cent. per annum.

On fixed deposits for 3 years from 7½ per cent. to 9¾ per cent. per annum.

(ii) In this subdivision the longest period for accepting deposit is 3 years.

Question 4.—(a) Total funds invested in Government and other marketable securities of—

Kishorganj Loan Office, Ltd., is Rs. 15,010 (War loan).

(b) The amount of loans against immoveable properties—

Kishorganj Loan Office, Ltd., East Bengal Rural Bank, Ltd., National Bank, Ltd., Kishorganj Lakshmi Bank, Ltd., Krishna Bank, Ltd., is Rs. 6,01,319.

(c) No.

(d) Loans on personal security—

Kishorganj Loan Office, Ltd., East Bengal Rural Bank, Ltd., National Bank, Ltd., Kishorganj Lakshmi Bank, Ltd., Krishna Bank, Ltd., is Rs. 4,90,019.

(e) No.

(f) No.

Question 5.—(i) Loans are granted with a condition of repayment within 90 days, interest varying from 9 per cent. to 36 per cent. per annum.

(ii) There is no provision for compound interest. If the interest is paid in advance they get some discount.

(iii) Yes, interest for 90 days is deducted in advance at the time of granting loans.

(iv) Loans are generally given for 90 days, debtors have to repay the amount within the period or they have to pay the interest in advance for another 90 days, otherwise they will get no discount.

Question 6.—(i) Yes, these institutions lend money on simple or mortgage bonds to the agriculturists for purchasing lands and for the expenses of their cultivation.

(ii) No, they can serve the interest of agriculturists better than the private money-lenders.

Question 7.—(i) No.

(ii) Persons of this place are not well acquainted with all these business.

Question 8.—(i) There is no rule for keeping a fixed portion as reserve fund but the amount as directed by the shareholders in the general meeting makes up the reserve fund, and the fund is also invested in the same way in loans.

(ii) The rates of dividend varying from 12 per cent. to 60 per cent. per annum were paid by these banks and loan offices for the last 5 years.

Question 9.—(i) The present method of keeping account of the banks and loan offices is to keep a cash book, daily extract, jonajat hishab of deposits and loans and general ledger.

(ii) Yes, if a uniform system of accounting and balance sheets is prescribed for all, then it will much facilitate the work.

Question 10.—If the banks at the time of their difficulties and crisis get pecuniary and other help from the Central Banking Institution then the federation of all banks to such a central institution will be advantageous to all.

Question 11.—If provision be made in law declaring lien on the commodities and production and priority over other private money-lenders then the loan office can take a bigger share in financing the trade and agriculture.

Question 12.—No.

78.

The Officiating Managing Director, Narail Loan Co., Ltd., Jessore.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) By loan from co-operative banks and local loan companies and also from private money-lenders.

(ii) Twelve per cent. per annum in the minimum and 30 per cent. per annum in the maximum.

Security.—In several cases mortgage of lands. Standing crops are hardly offered and taken as security—

Thirty per cent.—Secured.

Seventy per cent.—Unsecured, approximately.

(iii) The Imperial Bank plays no part in agricultural finance.

(iv) Seventy-five lakhs of rupees approximately.

(v) The present system of distributing agricultural finance from the co-operative banks, joint-stock banks and professional money-lenders is hardly adequate for affording proper agricultural facilities. The professional money-lenders generally charge a high rate of interest, the joint-stock banks insist on adequate securities in land and the co-operative banks do not advance money to individual agriculturists. These defects can be remedied if a central agriculturist bank with branches in every police-station be opened with sufficient capital and invest money to individual agriculturists at a low rate of interest and according to their means.

Such bank will have a lien on the crops raised by the agriculturists and they must be made to pay off the dues of the banks by the sale of crops or the banks would realise the same by distress.

Question 2. (i) The raiyats in the Jessore district load country boats with crops grown by them and send the same to the nearest market.

Question 3. (i) The value of land in the Jessore district—

First class land in which jute is grown—Rupees 200 to Rs. 300 per acre.

First class land in which paddy is grown—Rupees 100 to Rs. 200 per acre.

Question 4. (i) There was considerable legal impediment to mortgage of non-transferable agricultural holdings. But the amended Bengal Tenancy Act has to some extent removed it. Now-a-days the agricultural holdings have been made transferable. But in the case of usufructuary mortgage, the agriculturists are to some extent handicapped even by the amended Bengal Tenancy Act. But on the whole the amended Bengal Tenancy Act has considerably increased the credit of the agriculturists.

80.

Mr. M. Sekandaraly, Joint Managing Director, Tajmahal Loan Co., Ltd., Jhopna, Chaparkona (Mymensingh).

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. Loan offices in this district are mostly the agencies for giving loans to the public at large.

(a) and (b) Agencies giving loans specially to the traders in the town. They sometimes lend money to the artisans and agriculturists residing in the municipal area as well.

(c) These are institutions granting loans to the agriculturists in the rural villages.

Question 2. (a) $1/8$.
 (b) $1/8$.
 (c) $1/4$.
 (d) $1/4$.
 (e) $1/4$.
 } approximately.

Question 3. (i) Floating deposit $4\frac{1}{2}$ per cent. per annum
 Deposit for 6 months 6 per cent. per annum.
 Deposit for 1 year $7\frac{1}{2}$ per cent. per annum.
 Deposit for 2 years 9 per cent. per annum.
 Deposit for 3 years $9\frac{3}{4}$ per cent. per annum.
 Deposit for 4 years $10\frac{1}{2}$ per cent. per annum.
 Deposit for 5 years $11\frac{1}{4}$ per cent per annum.
 Deposit for 6 years 12 per cent. per annum.
 (ii) Six years.

Question 4. (a) $1/8$.
 (b) $1/8$
 (c) $1/16$
 (d) $1/2$
 (e) $3/32$
 (f) $3/32$
 } approximately.

Question 5. (i) Periods of granting loans vary from one month to one year or upwards. There is no fixed rate of interest.

(ii) No.
 (iii) Yes.
 (iv) No.

Question 6. (i) They give loans to the agriculturists when the latter are in need of money for failure of monsoon, for land revenue, rent, etc.

(ii) Yes.

Question 7. (i) No.

(ii) The fact that they are not federated into a central banking institution stands in the way of their doing ordinary commercial banking.

Question 8. (i) From 10 per cent. to 25 per cent.

(ii) From 20 per cent. to 100 per cent.

Question 9. (i) No uniform method of keeping accounts.

(ii) Yes.

Question 10. They must be so federated.

Question 11. In some of the loan offices high rates of interest are charged and thereby the ruin of the agriculturists is caused. So it is essentially necessary that the rate of interest should be fixed. The common idea that the shareholders of all the loan offices are mere cruel usurers of the type of Shylock should be driven away. The public should look to the fact that the loan offices are replenished with deposits so that they may lend money on low rates of interest and thus do good to a bigger share in financing trade and agriculturists. In most of the cases the Directors of the loan offices are obliged to lend money on high rates of interest only because their fund is short.

Question 12. To my knowledge there has not been any bank failure in this district.

81.

Mr. Serajuddin Ahmed, Secretary, the Thakurgaon Trading and Banking Company, Limited, Thakurgaon (Dinajpur).

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (b) This company at the Thakurgaon subdivision ordinarily carries on business of lending money and receiving deposits.

Question 3. (i) The rates of interest allowed by this company on different classes of deposits are—

(1) Fixed—

(a) 3 years' notice—Rs. 9 per cent. per annum.

(b) 2 years' notice—Rs. 7-8 annas per cent. per annum.

(c) 1 year's notice—Rs. 7 per cent. per annum.

(d) 6 months' notice—Rs. 6 per cent. per annum.

(2) Savings Bank—Rs. 4-8 annas per cent. per annum.

(3) Current—Rs. 3-2 annas per cent. per annum.

(ii) The longest period for which deposits are accepted by this company is 3 years.

Question 4. The proportion of the total fund invested by this company is as follows:—

(b) 5 per cent.

(d) 90 per cent.

(e) 3 per cent.

Question 5. (ii) Compound interest is charged at yearly rest from 1st January every year.

(iii) No interest is deducted in advance at the time of granting loans.

Question 6. (i) This company lends money to agriculturists to provide the expenses during cultivation and for capital of cultivation and for other special needs i.e., for paying rents, etc.

Question 7. (i) This company has not, at present, undertaken any business other than lending money and receiving deposits.

32.

Mr. Rames Chandra Roy, Managing Director, the Gangaprasad Bank, Astamanisha (Pabna).

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 2.—Only with regard to our bank :—

- (a) Rs. 4,500,
- (b) Rs. 2,726,
- (c) Rs. 19,745,
- (d) Rs. 4,208,
- (e) Rs. 10,705.

Question 3.—With regard to our bank only :—

- (i) $3\frac{3}{4}$, $6\frac{1}{4}$, $6\frac{3}{4}$, $7\frac{1}{2}$, 9 per cent. to 12 per cent.
- (ii) 5 years.

Question 4.—With regard to our bank only :—

- (a) 2·5 per cent.
- (b) 27·7 per cent.
- (c) Nil.
- (d) 42·2 per cent.
- (e) ·3 per cent.
- (f) Nil.

Question 5.—With regard to our bank only :—

(i) One year and for more than two years. One year for trade, two years and more to agriculturists and general public for domestic purposes. Although the agriculturists make promise to repay the loan within six months or a year, they cannot generally keep their obligation.

For trade (one year) at 12 per cent.

For other purposes at $18\frac{1}{4}$ to $31\frac{1}{4}$ per cent.

(ii) Not in all cases, although there is a provision in the bond. Compound interest is charged in case of recalcitrant borrowers and wilful defaulters. The practice of charging compound interest is to levy interest on overdue interest at the rate of the bond.

(iii) No. ~~Interest is payable quarterly.~~ Some of the borrowers at the time of taking loan pays it on the ground of his inability to repay the interest in time. This sort of instance is very few.

(iv) No. The borrowers make promise to repay the loan after a period of six months or a year simply for the calculation of limitation.

Question 6.—(i) Yes, major portion—for cultivation, for seeds, for purchase of cattle and land and for other domestic purposes.

(ii) Yes, certainly so.

Question 7.—(i) This bank undertook brick business. $5\frac{1}{4}$ per cent. of the total resources was laid out.

(ii) The difficulty is that there is no relieving or clearing office. The Imperial Bank of India does not open current accounts in favour of any joint-stock companies. So the mufassal banks feel much difficulty in sending their surplus amount to other bank at Calcutta. Thus it has become impossible for the banks situated in villages to transact such business.

Question 8.—(i) 25 per cent. of the net profit partly in postal cash certificate and partly in some respectable bank.

(ii) 25 per cent., 20 per cent., 20 per cent., 20 per cent., nil.

Question 9.—(i) This bank keeps account in co-operative bank system.

(ii) Yes, if practicable.

Question 10.—I quite agree. I have got no objection to such bank being federated into a central banking institution.

Question 11.—Loan offices are already financing the agriculturist and the trader. Besides, their surplus funds are invested in co-operative banks by which the agriculturist gets help. For further help, I suggest that subdivisional, district and provincial banks should be established provided in case of subdivisional banks, the Board should be constituted by the representatives of the mufassal banks; district banks by the representatives of the subdivisional banks and provincial banks by the representatives of the district banks.

Question 12.—The instances are not rare in my district. It is due to mismanagement and misuse of the confidence entrusted to by the shareholders. In my opinion the seats in the directorate should not be held by the legal practitioners more than 25 per cent. More of this class may be taken in if they have got at least Rs. 10,000 as fixed deposits. The banks in our district purely do the loan business, and I believe that they cannot run the risk of being a total failure unless there is some dishonesty in principle of the persons by whom the banks are generally conducted.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) Deposits—Share capital.

(ii) Additional amounts are required occasionally which we generally raise by accepting special deposits as there is no cash credit system.

(iii) The banks are encouraging people in savings and investment.

(iv) Yes.

(v) I do not see any reason.

(vi) The people are generally poor. They have got no gold or silver to invest.

Question 2.—(i) No. To increase its popularity, the rate of interest should be raised to $5\frac{1}{2}$ per cent. and it should be made a negotiable and transferable instrument.

(ii) Vide answer above.

(iii) No. They harass parties for slight differences in their signature with that of the specimen signature taken long ago. Moreover, in branch offices the depositors do not get money on the date of their application and the withdrawals are made only once a week. Besides, the post offices do not accept deposits from the joint-stock banks which are registered under Act VII of 1913.

(iv) Those who cannot lay out their money in other ways.

(v) Nothing can be done to attract other classes as there can be no possible means of checking harassment under the present system.

(vi) We do not admit any competition. The rich only can make deposits at the prescribed low rate of interest. But it is not at all attractive to the general public with small or limited incomes.

Question 3.—(i) The debentures or Postal Cash Certificates at a higher rate of interest may attract the small investors of the country if such instruments are negotiable and the issuing office promises to buy up at par when necessary.

(ii) Nil.

(iii) They generally liquidate their old debts, buy lands, make improvements of their homesteads and extravagantly spend money. Some of them make deposits in local banks for certain periods and wait for the market to carry on trade.

(iv) Sometimes they do at $37\frac{1}{2}$ per cent. to 75 per cent., vide answer (iii).

Question 4.—(i) Useful.

(ii) Free use and thereby great advantage.

(iii) General public and literate persons. It will gain popularity if we get credit locally instead of sending it to Calcutta.

(iv) The idea is good no doubt if the language is simple and easy like English forms.

Question 5.—(i) Yes.

(ii) Because most of the bank authorities have little time, for some of them do not like to take the trouble of and some are quite incapable of thinking over the subject of real banking and so they do not undertake the risk; prefer money-lending.

(iii) Yes, unless the people are educated no such improvement can be expected. Village boys may be picked up and trained in blacksmith shop, weaving, carpentry and agriculture. After completing the course they will return to their respective villages and will teach other boys similarly inclined. By this system the people of the country might be educated to invest their savings in productive undertakings. This requires Government help.

(iv) No good in case of joint-stock banks. Only the traders and investors are benefited.

83.

Mr. Mohini Mohan Roy, Managing Director, Kishorganj Loan Office, Limited (Mymensingh).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) From village money-lenders, local loan offices and, in case of the members of co-operative societies, from their respective society.

(b) The average raiyat can never afford to spend anything for permanent improvement of his land.

(c) In addition to sources mentioned in (a), in times of distress caused by flood Government occasionally gives agricultural loans to distressed raiyats, which is considered to be very inadequate for the purpose. As agricultural loans are paid to peoples on joint liability in batches of six or seven it is not very popular.

(ii) For loans up to Rs. 500 the average rate of interest varies from 20 to 30 per cent. per annum and above Rs. 500 up to Rs. 1,000 it varies from 15 to 20 per cent. and above Rs. 1,000 up to Rs. 2,000 it varies from 12 to 15 per cent. and above Rs. 2,000 it varies from 9 to 12 per cent. Secured debts generally bear lesser interest. But in times of distress, when money is scarce, for loans of small amount higher interest is charged.

The contracted date for repayment of the loan generally varies from 3 months to one year.

Security given are generally lands and occasionally houses attached thereto. Standing crops are never given as security. Sometimes in cases of mortgage the possession of the lands is given to the creditor in lieu of interest.

In this part of Mymensingh district, i.e., Kishorganj subdivision, about 30 per cent. of loans to the agriculturists is secured and the rest are unsecured.

(iii) Save and except granting of agricultural loans in times of distress as stated above, the Government pays no part in agricultural finance of the country. The name of the Imperial Bank of India or of any other joint stock bank is absolutely unknown to the raiyats of this part of the country. Co-operative banks give financial help as loans to their members only.

The eleven indigenous banks, locally known as loan offices in this subdivision, have got about twenty-five lakhs of rupees as working capital, of which more than fifteen lakhs have been given as loans to the agriculturists of this subdivision.

By far the major portion of the debts incurred by raiyats of this subdivision are given by the professional money-lenders.

The dealers, merchants and other organisations have no activity in this connection in this part of the country.

(v) There is absolutely no system of financing agriculture in this subdivision. Each individual raiyat secures his own finance from any source he considers best for his purpose.

(vi) No.

Question 2. (i) The principal crops of this subdivision are jute and paddy. The raiyat sells his jute generally to middle-men of the locality known as *beparis*, who in their turn after collecting 100-500 maunds of jute sell them to European or Marwari firms, who in their turn send them to the mills of Calcutta. As regards paddy, 60 per cent. of the raiyats of this subdivision get no saleable surplus. Those who can afford to sell their surplus stock of paddy sell them to local *beparis* who take them in boats containing 200-300 maunds to some big markets of the locality and sell them direct to the consumers.

Generally, the raiyats are hard pressed for payment of loans and rent as soon as his jute is ready and because they are not in a position to make purchase of their wearing apparels, utensils, agricultural implements, etc., they are unable to hold up their crops for better price.

(ii) There seem to be possibilities of the success of co-operative efforts in marketing agricultural produce. The success of this movement presupposes some amount of primary education in raiyats which is generally wanting, yet they are intelligent enough to appreciate its advantages.

(iii) Only one co-operative jute sale and supply society has just been started in the headquarters of this subdivision. It is registered under the Co-operative Act and is affiliated to the central organisation of Calcutta. It is financed at present by the central organisation of Calcutta.

Question 3. (i) The price of lands in which crops, such as, paddy, jute and pulse can be grown in rotation and of lands in which sugar-cane can be grown is rupees one thousand to twelve hundred per acre.

(ii) Rise and fall in the price and outturn of agricultural produce affect such value. Raiyats have got a special fascination for acquiring adjacent lands belonging to other raiyats and for such lands they often offer much more than the market price.

The lands sold in Government auction for non-payment of revenue as well as by court decrees often fetch less price than in purchase by private negotiations.

Question 4. (i) No.

(ii) As the amendment of the Bengal Tenancy Act has made the lands of a raiyat transferable it has increased the credit of the agriculturists.

(iii) As the market price of holdings is rather high smallness of agricultural holdings will not stand in the way of establishing long term credit institutions.

(iv) No.

Question 5. (vi) Agricultural indebtedness in our locality is increasing.

(vii) Land Improvements Loans Act of 1883 and Agriculturists' Loans Act of 1884 are unheard of in this part of the country.

(ix) No.

(xi) The courts never allow interest exceeding 37½ per cent. per annum for small debts and in other cases the rate of interest allowed is much less.

(xii) Each case is judged on its own merits and circumstances and no standard rate of interest is followed by courts.

(xiii) In very few cases unscrupulous money-lenders take resort to this practice.

(xvii) Local creditors prefer the payment of their money by their debtors than getting debtors' lands. There are very few cases where tenants' lands pass into the hands of their creditors for debt.

Question 6. (i) Rice milling, dairy farming, cotton ginneries, sugar refineries and hand-spinning—Nil.

Individual cultivators producing sugarcane in their own plots make their own *gur* by country process.

(ii) By establishing co-operative societies for crushing the sugarcane by power mill and producing *gur* by scientific process.

(iii) As the system of rotation of crop prevails in this part of the country the farmer is always very busy with his farm work and there is no slack season.

Question 6B. People other than agriculturists obtain loans from local mahajans according to their solvency and honesty.

Small traders having reputation of honesty scarcely experience any difficulty for securing their capital.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (b) In the Headquarters of Kishorganj subdivision there are 8 loan offices.

(c) Two loan offices in Bajitpur and one in Hussainpur in this subdivision.

Question 6. (i) Yes. Loans are always given to the agriculturists to the extent for which the particular raiyat is considered by the managing board to be of sufficient means, for repaying the same.

Question 7. (i) No. There appears to be no difficulty in the way of loan offices doing ordinary commercial banking. In the absence of any such local custom the authorities of the loan offices as well as local merchants are rather reluctant to take recourse to such novel method.

Question 9. (ii) Uniform system of accounting and balance sheets may be advantageous.

Question 10. In my opinion the federation of all loan offices into a central banking institution will lead to immense benefit.

Question 11. As the rate of interest charged by the loan offices on loans is much less than those demanded by local money-lenders, sometimes, specially in times of distress, rush is made on the resources of the loan offices by raiyats. But for want of funds loans cannot be given even to very solvent raiyats. If steps are provided for giving special facilities to these loan offices for getting financial help from the Government or the Imperial Bank in the shape of deposit, they may substantially help the raiyats.

Question 12. Strictly speaking, there is no bank in this subdivision. Of the eleven loan offices, the Kishorganj Loan Office is more than 45 years old and the others are rather infant institutions. There has been no failure of loan offices in this subdivision.

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Mr. Sukumar Chatterjee, M. A., M.B.E., B.C.S., Assistant Registrar, Co-operative Societies, Rajshahi Division.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

The financing of agriculture (Question 1).

With a few exceptions the persons engaged in cultivation in this division have to borrow for their needs. So far as this division is concerned, no systematic investigation has yet been made into the extent of rural indebtedness, but the facts brought to my notice in course of the organisation and working of co-operative societies go to show that the amount is considerable.

A cultivator wants money for the purchase of seeds, occasionally of manure, for payment to labourers, maintenance of his family until the crops are harvested and for the purchase of cattle and agricultural implements. He also requires money for the construction of, and repairs to, his dwelling-house and for social and religious ceremonies. Cases where money is required for capital expenses, for the purchase of new lands, for improvement of lands and of facilities for irrigation are comparatively rare.

For all these purposes the great majority of cultivators have to borrow and very few of them have sufficient money of their own to do without outside loans.

No loans are given to agriculturists by Government unless there is a failure of crops resulting in a, more or less, general scarcity. It is likely that the Imperial Bank of India advances money to large scale cultivation, like the tea plantations, but I have no personal knowledge of the working of this Bank. Joint-Stock Loan Offices, of which a very large number has come into existence during recent years, do not finance cultivation as such. Their business is to advance money to approved parties, against sufficient securities. It is, therefore, resorted to, to a great extent, by substantial cultivators, who are sometimes unwilling to accept the joint unlimited liability of rural credit societies. It is certain that a considerable portion of loans issued by them go to finance cultivation. Ordinarily, however, the cultivators obtain the necessary finance either from village money-lenders or from co-operative banks where such organisations exist. Although much progress has, during recent years, been made in the organisation of co-operative credit societies, the movement has touched only a small fraction of the rural population, and the bulk of the people are therefore left to be financed by the money-lenders or *mahajans*.

The money-lender advances both cash and paddy. The rates of interest vary in different localities and for different persons, according to the urgency of the borrower's need and the nature of the security offered by him. For cash loans the rate is ordinarily $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent. per month. For paddy loans, the rate is between 50 to 100 per cent. per annum. Enough has been written regarding the *modus operandi* of these village Shylocks to need a repetition.

From the point of view of the cultivator, a village co-operative bank is in every respect to be preferred to the money-lender. Apart

from the educative influence which co-operation seeks to exert, a co-operative society lends money at a lower rate of interest than the money-lender, affords much less scope for dishonesty and does not aim at grabbing the cultivators' lands. On the other hand, a co-operative society, if properly managed, is able, in course of 10 or 12 years, to build up a reserve fund out of its profits, which, along with the share capital, may suffice for the ordinary needs of the members. Thus the co-operative banks aim at economic independence of the cultivators, while, by borrowing from money-lenders, they place themselves, their sons and grandsons, in perpetual slavery, and are being gradually reduced to the condition of landless labourers.

Defects.—The defects in the financing of agriculture by village money-lenders have been briefly referred to above. The defects of the co-operative system are:—

- (1) the want of proper training of departmental and central bank officers, which makes them unfit to impart necessary instruction and advice to village society members;
- (2) want of proper appreciation, on the part of central bank directors and staff, of the principles of distinction between short, intermediate and long-term loans and the consequent lack in the system of financing and fixing of kists of repayment;
- (3) generally, the want of a knowledge of banking principles in central bank officers.

It is easy to form a rough estimate of the amount required to finance the cultivation of a particular crop in any specified area, by multiplying the cropped area by the average cost of cultivation per acre. The system now followed in many Central Banks is for the village society to submit an application for loan at the outset of the cultivation season. This is ordinarily referred to the area-supervisor for enquiry and report and is subsequently considered at a meeting of the Board of Directors. If the application is sanctioned, an intimation is given to the society to send its representatives to receive payment after executing a pronote. If again, as is frequently the case, the central bank does not possess sufficient funds to meet all applications sanctioned by it, an application for loan is submitted to the Provincial Co-operative Bank. This causes further delay, and as cultivation cannot wait, the members of the village society sometimes go to the local money-lenders and paddy-lenders and borrow money at exorbitant rates. It is a common experience that when a member of a co-operative society goes to the village money-lender, the latter demands a higher rate of interest than in the case of his ordinary clients. In the meanwhile, the central bank loan is sanctioned and considering it a folly not to accept a loan, the members take it. It is doubtful, if in all such cases, the central bank loan is utilised in repayment of the loan previously incurred for the same purpose, and there is no doubt that some of this money is spent uselessly. When the time for repayment comes, after the harvest, the cultivator will naturally be more anxious to repay the loan of money-lender than the dues of his society because the former carries a higher rate of interest.

Such loans, instead of helping the cultivator, are harmful to him. The proper system is for the secretary of every central bank to make

an estimate of the normal credit requirements of each society affiliated to it in accordance with the instructions contained in the Registrar of Co-operative Societies' Circular No. 11 of 1922 and then to arrange for necessary finances so that loan applications for cultivation purposes may be dealt with without unnecessary delay. "Normal credit" has been defined in the Circular as "the annual recurring cultivation expenses" and village societies are required to make an estimate of the same at their annual general meetings, while central banks are required to accept these estimates after proper scrutiny. If the system outlined in this circular is followed, no further reference to supervisors will be required, as the acceptance of the normal credit estimates for a society by the central bank implies an assurance for credit up to this limit so long as the society continues to function as a co-operative organisation. Unfortunately the circular is not always understood and followed and this in my opinion is the result of the central bank directors and staff lacking in a knowledge of the essential principles of banking.

Another serious defect in the present system of co-operative organisations is the want of land mortgage banks. The bigger cultivators want large loans which they can only repay in instalments spread over a long period, and defaults are frequently the result of the inability of these members to repay large loans, mostly taken for liquidation of debts to outside money-lenders. As a result, the village society cannot fulfil its engagements with the central bank and the whole system is thrown out of gear. As recently pointed out by the Madras Committee on Co-operation, this is resulting in the gradual increase of overdues.

Remedies suggested.—In order to remove these defects it is necessary—

- (i) to arrange for a thorough training of central bank officers and staff in co-operative principles and in banking,
- (ii) to provide an adequate staff of superior officers, as has been done in the Punjab to guide the movement in proper channels,
- (iii) to arrange that sufficient financial accommodation should be available for the central banks, and
- (iv) to establish land mortgage banks for long-term credit throughout the province without any further delay.

As regards training, the matter has now been taken up seriously and regular training classes for central bank and departmental staff are being held for the last two years. In the case of departmental officers they have to undergo theoretical and practical training and have then to pass the departmental examination by lower and higher standards before they are confirmed. In the case of central bank staff also, training has been made compulsory by circulars issued by the Registrar in exercise of the power conferred on him by the rules made by the local Government under the Co-operative Societies Act. In the case of paid secretaries, assistant secretaries, managers, and accountants of central banks, an additional course of training in the Provincial Co-operative Bank has been prescribed, to be followed by a test examination in banking. The arrangements are now in charge of the Chief Auditor and the Divisional Auditors, but they are already

overworked and cannot devote proper time and attention to this important matter. It is urgently required to appoint Education Inspectors, one for each division, to take charge of the training classes. The system is already in force in the Punjab where, in the opinion of the Royal Commission on Agriculture, it has produced excellent results. It is also necessary to have an Institute of Rural Economics for giving proper and systematic training to candidates for employment in the department and under co-operative central banks and other Societies. The matter is engaging the attention of the Bengal Co-operative Organisation Society and of the Registrar of Co-operative Societies, Bengal.

The department, however, has been seriously handicapped by the inadequacy of staff. For the last few years, the want of a sufficient staff of auditors led to the employment of Inspectors on audit work in order to complete the annual audit of all registered Societies which the Registrar is required to perform under the law. In consequence of this, the Inspectors were in most cases unable to perform their legitimate duties of inspection, supervision, super-audit and propaganda, while the efficiency of audit was impaired by the extreme haste in which it had ordinarily to be done and by the absence of super-audit.

The difficulty, so far as auditors are concerned, will to a great extent be removed by the recent orders of the Government sanctioning a sufficient staff of audit officers. But the staff of the department, both in respect of superior and subordinate services, is still insufficient for the needs of the movement in its present stage. As an Assistant Registrar, I find it impossible to devote proper attention to the duties of administration in the eight districts which have been placed in my charge. This arrangement might have been satisfactory when there were a few central banks and twelve or thirteen hundred village societies. But at present with 29 central banks and 3,468 village societies, in addition to co-operative organisations of various other kinds, I find it impossible to give to their supervision the time and attention which they require. As a result of the recommendations of the Retrenchment Committee, the Assistant Registrars have been deprived of the services of a tour clerk which they had when the department was first organised. For this reason, while the Assistant Registrars have to spend a large portion of time on tour, that time is not fully utilised. The office staff of the Assistant Registrars is also inadequate. In my office a staff of six assistants have to deal with a huge volume of correspondence in which 18,744 letters were received and 21,648 were issued during the calendar year 1929 up to 9th December 1929.

It need hardly be stated that, while some cases are in the nature of routine work, most cases, such as registration of societies, the amendment of bye-laws, the scrutiny of awards, checking of tour diaries and travelling allowance bills, examination of proceedings of societies, etc., are of an intricate nature, often involving interpretation of law and rules and requiring an amount of attention which it is impossible to give with the present staff. In the audit section of my office, one Divisional Auditor with one assistant has to assess and supervise the collection of audit cess for a total number of about 3,600 societies, to make an annual programme of audit and to see that this is properly carried out, to receive the audit notes of all these societies and, as

far as possible, to issue audit orders and obtain reports from the societies regarding the rectification of defects noticed in course of audit. On account of the inadequacy of staff it is not possible for the Divisional Auditor and his assistant (who is a clerk in the lower grade of the ministerial service) to properly perform the work of reviewing all the audit notes received in this office. The difficulties felt in this respect will be apparent by a comparison of the staff employed in Bengal with that of the Punjab where there were, in 1928, a superior staff of 3 Deputy and 16 Assistant Registrars (all in Provincial and one in the Indian Civil Service) and where further increase was sanctioned by the Government with a view to having one Deputy Registrar for each Commissioner's Division and one Assistant Registrar for every 1,000 Societies. In my humble opinion, the proper arrangement for Bengal at the present stage of the development of the movement, should be to have one Deputy Registrar for each division for general supervision of the work and for dealing with important problems including the expansion of the movement in new directions and to decentralise the work which is now done in Assistant Registrar's offices by having one Assistant Registrar for every one thousand societies in a single district or in a group of two or three districts. These Assistant Registrars will then be able to register primary societies according to the model bye-laws already approved by the Registrar, to entertain disputes, appoint arbitrators and scrutinise the awards made by them, to grant extensions under rule 13 of the Government rules to office-bearers of village societies and also to deal with audit notes of all societies in their charge, sending up with their reports to the Deputy Registrar the audit notes of central societies, societies of special type and of D and E class village societies. In my opinion, this arrangement will provide for the efficient performance of those important duties which are now, in most cases, treated as matters of routine in the offices of the Divisional Assistant Registrars.

In respect of financial accommodation the movement has now been able to inspire sufficient public confidence and to obtain sufficient local deposits to enable it to do without outside assistance in ordinary times. In bad agricultural years, however, as in 1927-28 when on account of agricultural depression the Provincial Bank is not able to meet all the demands for loans made upon it, outside assistance is required and it is essentially necessary for the development of the co-operative organisations for financing cultivation that sufficient assistance should be available from the Imperial Bank and that that Bank should have a proper appreciation of the nature of the security which co-operative central banks are able to offer by reason of the joint unlimited liability of the village society members and should therefore be willing to allow sufficient cash credits to those central banks which may be in need of the same. In this connection I wish to invite the attention of the Committee to the desirability of allowing the approved central banks to perform the work of Government treasuries and sub-treasuries at headquarters stations of districts and subdivisions where there are no branches of the Imperial Bank. Many of these central banks have established a long record for sound and efficient management and have dealt with large working capitals without a single case of dishonesty or mistake on the part of their staff. There is, therefore, no reason to think that the authorities of these central banks should not be able to discharge the duties performed by Government treasuries as efficiently as under the present arrangement, specially

if they are able to appoint qualified managers on a suitable scale of pay. The running audit of the central bank accounts, which is now carried out by a staff of efficient Government auditors, will enable all the vouchers to be locally checked and audited and this arrangement will considerably lighten the work of the office of the Accountant-General where a certain percentage only can be audited so as to test the quality of work performed by the local departmental auditors.

In a subsequent portion of this memorandum I am submitting a scheme for a system of commercial banks and if organisations of this nature are established at all inland centres of trade, it will be possible for trade and commerce on one hand and agriculture on the other to come into contact with each other so that the same amount of capital may by turn be employed in financing agriculture during the season of cultivation and in financing the movement of crops during the remainder of the year.

At present there is hardly any co-ordination between the different agencies employed in financing agriculture, viz., the joint stock banks, money-lenders and co-operative societies and I personally do not see how any co-ordination is possible.

Marketing of Crops (Question 2).

If the cultivator is in an unfavourable position for having to obtain his finance at an exorbitant rate of interest, his position is very little improved after the crops are harvested when he has to sell his crops in a market controlled by a long chain of middlemen. His troubles are accentuated by the pressure which is put upon him from all sides, by his creditors, the shop-keepers, and the landlords. The village traders are not slow to exploit this helpless condition of the cultivators. In respect of jute, which is the principal money crop of Bengal, the cultivators are in a very serious disadvantage because they cannot form even a rough estimate of the market at which ultimately they have to dispose of their crop.

There are two obvious remedies, one, to organise co-operative societies for the marketing of agricultural produce and, the other, to establish licensed warehouses, linked up with the system of co-operative credit.

In co-operative marketing, a beginning has already been made in Bengal in respect of the two main crops, viz., paddy and jute, but these organisations cannot yet be said to have emerged from the stage of experiment.

In my division there are six societies for the sale of jute and two societies for the sale of paddy. Some other societies of this type are in the course of organisation. The working of the jute sale societies are controlled by the Bengal Co-operative Wholesale Society, while the paddy sale societies are helped by the Central Society at Calcutta.

Most of these societies are financed by the Provincial Bank. As the apex bank of the province, the normal business of the Provincial Bank is to finance the cultivation of various crops through the agency of the central banks. For this purpose the Provincial Bank accepts deposits, but the demand for loans is confined to certain seasons of the year, during which cultivation is in progress, while during the remaining months the Central Banks make large remittances in repayment of the loans previously taken. During this season, therefore,

the Provincial Bank holds a surplus, of idle money, on which it has to pay the usual rate of interest. By financing the sale societies, the Provincial Bank is able to find useful employment for some of this surplus, and thus to reduce the loss on this account.

This is not, however, the only point of advantage for the co-operative movement, so far as societies for sale of agricultural produce is concerned. During the marketing season, the cultivators repay their dues to their respective village societies which, in their turn, pay the *kists* due to the Central Banks. These Banks again make large remittances to the Provincial Bank. On the other hand, the Provincial Bank has to finance the sale societies and the latter have to purchase jute from the cultivators and others for cash. Thus a large amount of money circulates from the Provincial Bank to the sale societies and thence to the cultivators and a part of it finds its way back again to the Provincial Bank through the village societies and the central banks. A beginning has already been made in short-circuiting this process, by the sale societies obtaining from the central banks whatever amount the latter want to remit to the Provincial Bank, and an attempt is being made to reduce village societies to make their payments to the sale societies if such societies are situated at a shorter distance than the Central Banks. I think that there are very reasonable prospects of inducing the cultivator to accept central bank cheques in payment of that part of the price of his crops which represents his dues to his village society.

But the sale societies alone will not solve the problem of the cultivators. There are times, especially in course of the marketing of jute, when the market is so low that the cultivators want to hold up their crops in the hope of a better market. They are not able to do so because of the pressure put upon them from all sides. It is therefore necessary to establish warehouses, licensed under a law to be enacted for this purpose, in which a cultivator may deposit his crop, with instructions for sale when the market reaches a specified level. The godown and its contents should be insured and the cultivator who deposits his crops therein should be required to pay for insurance and godown rent at fixed rates. He will get a receipt from the manager specifying the nature and quantity of crop deposited and its market value on the date of deposit, and he can easily arrange for loans from any bank or banker on the hypothecation of such receipt. The amount of loan will depend on the discretion of the bank authorities, and an arrangement may be made under which the manager of the warehouse will remit the amount of this loan together with the interest when the crop is sold. Such warehouses may easily be organised on a co-operative basis, on the lines of the commission shops in the Lyallpur district of the Punjab. The managing committee of the society, as well as the provision for efficient audit, will serve as a check against dishonesty and mismanagement. Some experiments on these lines are being tried at Chandanbaisha in Bogra district and at Mirkutia in Pabna, but we are handicapped for want of staff. It is yet too early to judge the results.

Financing of Export and Import Trade (Question 2).

The financing of export and import trade, i.e., from the villages to the ports of the province and again from the ports to the distributing centres and ultimately to the consumer, is extremely disorganised

and primeval in nature. As already stated in the previous paragraph, during the sale season of each principal crop, viz., paddy and jute, a large amount of cash remittances has to be sent, mainly from Calcutta, to the traders dealing in the export of these commodities and carrying on business at internal centres of trade. A large part of this money is immediately returned by the growers in the shape of price paid for cloth, salts, kerosene and other necessities of life and this money finds its way back to Calcutta, through the persons engaged in import trade at the same places. Although *hundis* are sometimes used, there is ordinarily no system at most places resulting in large cash remittances from these inland centres back to Calcutta.

In my humble opinion, the greatest banking need of Bengal at the present moment is the provision of a system of mufassal banks at these important inland centres of trade (e.g., Bolpur in Birbhum district, Hili in Bogra district and Atrai in Rajshahi), to which the Imperial Bank does not find it possible to extend its operations. These banks should be linked up with district and provincial organisations and there should be sufficient provision for Government control in their constitution so as to ensure sound management and to inspire public confidence. These banks will perform the following functions:—

(1) They will control the movement of money to and from the wholesale traders and financiers in Calcutta and other big centres of trade to the mufassal centres. If a place exports 2 lakh maunds of jute, it will require, roughly speaking, 20 lakhs of rupees to enable the local merchants to buy the jute and about 10 lakhs, out of this, will go back to Calcutta as price of different commodities imported for sale. A properly organised bank, with a working capital of 3 or 4 lakhs, might easily finance this entire trade of 30 lakhs.

(2) It will provide local agencies through which credit given by Calcutta wholesale dealers to their local clients, the retail sellers, may operate;

(3) They will also provide a convenient agency by which exporters of agricultural produce may adjust their accounts in Calcutta;

(4) They will provide the necessary banking facilities to exporters of produce and dealers in imported commodities at their places of operation. Take, for example, the case of rice-mill owners at Bolpur or a jute dealer at Atrai. A trader working with a capital of Rs. 5,000 purchases paddy or jute to the extent of this sum which he husks or bales for shipment. If the market is favourable, he will be anxious to continue buying but is prevented by lack of funds. He will ordinarily approach his relatives or Calcutta financiers, but some time will be lost and there is every chance of his missing the market. It is therefore necessary to provide some agency near at hand which will be willing to lend him a reasonable amount at once on the hypothecation of his stock. On the other hand, dealers in imported commodities like cloth, corrugated iron, aluminium wares, etc., can obtain short credits on the pledge of the stock imported by them so as to enable them to develop their business properly by supplementing the capital owned by them by loans which, in most cases, can be repaid within a short period. It is only in certain seasons that these dealers handle a large amount of stock and in these seasons ordinarily the sale is brisk, e.g., in Puja time and in winter, in respect of particular commodities. The dealers are therefore seriously handicapped for want of necessary credit facilities for these periods.

(5) These banks will provide means for investment, for local capitalists as well for the traders themselves during their slack season and the provincial organisation may help to utilise any surplus during this season in other areas requiring finance. It will not be difficult to devise a system of co-ordinating these banks with the central co-operative banks operating in the same area, so that in the slack season of trade the surplus funds of the trading banks may be temporarily invested in the local co-operative bank and may be used to finance the cultivation of the local crops.

(6) It will provide banking facilities to people at the real centres of the economic life. At these places the people sell their crops for cash, but very often the money is expended elsewhere. A cultivator obtains Rs. 500 by sale of jute or paddy out of which he wants to remit Rs. 300 to his pleader to satisfy a decree. At present the remittance has to be by post or, as is often the case, the money is carried by an agent, at great risk. Payments may be made by cheques payable at the district or subdivisional headquarters.

I want it to be clearly recognised that a system of banking like the one outlined above will not encroach upon the ground already covered by any of the existing organisations. The Imperial Bank of India has branches only at very important centres of trade like Jalpaiguri or Narayanganj. Even Serajganj has recently been given up as unworkable. At these places it caters for the needs of a different clientele from those whom the proposed banks are intended to serve. The loan offices do not finance trade as such, although there may be a few cases where persons obtaining a loan from such banks have utilised the same to finance their trade. Co-operative effort is possible in the case of smaller traders only, where the bond of mutual help exists.

The Smaller Traders (Question 2).

In the foregoing paragraph I have dealt with traders at the important inland centres who carry on business on, a more or less, extensive scale. Between them and the actual producers and consumers are the smaller traders.

On the export side, these traders are known as *farías* and *beparies*. Having regard to the way in which business is conducted by them and the large extent of speculation which enters into it, by reason of the unsettled condition of the market, it is difficult to evolve a system for financing them. At present they generally obtain their finance from local money-lenders, supplementing the same by advances obtained from the big traders and firms to whom they act as feeders. Occasionally they get money from co-operative banks but the central banks, in some instances, discourage the issue of such loans, on the ground that these are loans for speculative purpose.

On the import side, i.e., the distribution of imported articles for consumption, we have the smaller shop-keepers. In villages they are isolated and cannot be served by any banking organisation, whether co-operative or otherwise. In small towns, however, where there is a sufficient number of such traders there is an excellent field for co-operative traders' banks, serving grain-dealers, doctors, confectioners, cloth merchants, tailors, carpenters, etc. These persons work on a small capital and if they organise themselves and agree to put into the bank all the money obtained in course of the day by sale of their

wares, the bank may to a great extent be self-financed. In my opinion, the time has come when the traders' banks should be recognised as a distinct form of urban co-operation and should be separately organised from those composed of people of other classes, e.g., salary-earners, professional men, land owners, etc. So long, however, as it is not possible to organise separate co-operative banks for traders, they may be served by the existing urban banks, provided that these banks arrange for cash credit in their case.

Land Mortgage Banks (Question 4).

The Rajshahi Division has only one Land Mortgage Bank located at Naogaon and operating in the area known as Ganja Mahal. As the Bank was inspected by the members of the Banking Enquiry Committee, I refrain from referring to the details of its working. Its financial arrangements are unsound as the deposits are mostly for periods not exceeding 5 years while most of the loans granted by it are for periods between 10 and 15 years. But this difficulty does not affect its working on account of the strong financial backing given by the Ganja Cultivators' Co-operative Society, Limited, the members being common to both societies.

Conditions peculiar to this area are not common to other parts of the province and, in my opinion, land mortgage banks on a proper scale cannot be established without State aid in the shape of guarantee to debenture holders. Meanwhile I propose, subject to the approval of the Registrar of Co-operative Societies, Bengal, to make some experiments in starting land mortgage banks, as annexe to central banks or groups of central banks. A note containing the details of my scheme is appended to this memorandum.

It would, in my opinion, be quite easy to attract capital in forms suitable for financing a bank dealing in long term loans, in sufficient measure, to supplement the funds raised by sale of debentures.

Subsidiary Occupation (Question 6).

Subsidiary occupations followed by cultivators in this division during the recess season are few in number. Ordinarily they spend their time in idleness. Market-gardening is found in the neighbourhood of the towns and many important *hata*. From enquiries made by me I am inclined to hold that at most places the quality and quantity of vegetable produced by the local villagers are on the decline.

In my opinion, the most suitable occupation for cultivators during the recess season are (1) market-gardening and (2) poultry-farming, and there is a great scope for useful propaganda in these directions by the central bank field-staff. In the district of Bogra, a co-operative nursery society has been registered, which has not started work yet, with the object of supplying seeds, seedlings and grafts to its members and of making arrangements for the sale of the produce in the proper market. It has a very fair chance of success.

One of the main reasons that hamper production is the want of marketing facilities and the consequent inability for the small producers to get a proper price for their produce. The disparity of prices which is often noticed in the price of eggs and poultry between important markets and villages in the interior indicates the necessity of

organising societies for the collection and sale of eggs and poultry. A beginning has been made by the Dinajpur Milk Union where the carriers who bring milk from village societies also bring eggs that are sold at Dinajpur at a higher price than what they would have fetched in the villages.

Although not an occupation which can be followed by the cultivator when he cannot make full use of his time on his farm, the production and sale of milk is in some areas an important supplementary occupation of cultivators. These people live at a distance from the market and cannot make any arrangements for the sale themselves. They therefore have fallen into the clutches of the *Gowala* middlemen who not only pay for the milk at absurdly low rates but also cheat the ignorant villagers in many other ways, so that the *Gowala's* measure and the *Gowala's* advance have become proverbial. In areas from which the Naogaon Co-operative Milk Societies Union now draws its supplies, the *Gowalas* used to pay the villagers at Rs. 2 per maund (of 60 tolas measure) of milk. The milk societies now pay for the same milk Rs. 3-8 per maund. The Subdivisional Officer of Naogaon and myself found milk selling at Rs. 1-12 per maund at a village 14 miles from Naogaon. The condition of things in the vicinity of Nator is even worse. Is it to be wondered at, therefore, that the cultivators do not find it profitable to keep cows and such cows as they do possess are not properly fed and looked after? In my opinion this is the most important cause of the gradual decrease in the milk production in the province. I am fully convinced that if milk societies are organised in areas where there is a sufficient supply, the cultivators will find it worth their while to keep cows. In proof of this, I may cite the case of several rural credit societies near Naogaon whose members applied for special loans from the Naogaon Central Bank in order to enable them to purchase cows and join the milk societies of the village.

The Relief Committee organised on the occasion of the north Bengal flood, several years ago, under the guidance of Sir Profulla Chandra Ray, distributed spinning wheels to many villagers to enable the people to supplement their incomes by spinning. Much enthusiasm was evinced in the beginning but many of these people have since given up spinning presumably on account of the small return they got for their labour.

A very important experiment in this direction is, however, being tried in Balurghat Subdivision of Dinajpur district, where a few co-operative societies have been organised for jute spinning and weaving. Some of the products of these societies are very useful and attractive and if we succeed in creating a market for them in Calcutta, a real advance will have been made in providing a subsidiary occupation for cultivators. These societies are financed by the Balurghat Central Bank, Limited. An indigenous method of jute spinning and weaving exists in Dinajpur district and the gunny produced there is preferred to similar products of mills on account of durability. But no attempt has yet been made to organise them, and to enable the producers to get a proper price by finding a suitable market.

As regards organisation and financing of cottage industries in general, a beginning has been made by the establishment of a Central Industrial Union at Calcutta to which the Government have sanctioned a loan of Rs. 50,000 in order to enable it to take over the finished goods from the producers on payment of price and to sell them in the most profitable market.

Small Industries (Question 6A).

The most important industry of this class in my opinion is the hosiery industry at Pabna which appears to be flourishing. I have not made any enquiries about their arrangements for finance. I may however mention that a number of workers at Dinajpur for the manufacture of buckets, bathing-tubs, etc., have recently been co-operatively organised and it is proposed to finance the society from the Bengal Provincial Co-operative Bank. In my opinion, such industries should be co-operatively organised and should be affiliated to the Central Industrial Union, and that the Government should place sufficient funds at the disposal of the Union to enable it to finance such undertakings. The connection with the Central Industrial Depôt at Calcutta is essential, (1) for the supply of raw materials at wholesale rates, (2) for marketing the produce, and (3) for the supply of market information.

Loans to Non-agriculturists (Question 6B).

No attempt has yet been in my Division to organise landless day-labourers. In important trade centres, where there is a constant demand for labour, such people do not ordinarily require loans. Besides, a day labourer without land has no credit. The most suitable organisation in this case is the thrift society which will enable them to save a portion of their earnings, say an anna in each rupee, so as to collect sufficient money to purchase lands or take up a more paying occupation as a small trader or a cart-driver and also to obtain loans in case of necessity against such deposits.

I have already dealt with small traders. There are a number of co-operative societies among fishermen, some of which are credit societies organised on the basis of unlimited liability mainly for the sake of granting loans while other societies are of a more ambitious nature and have taken settlement of fisheries. An account of these will be found in the annual administration report of the department.

Service-holders and middle class gentlemen generally obtain loans from loan offices and from co-operative urban banks. When the security is considered sufficient some loan offices are now granting loans at very moderate rates of interest. But such cases are not common.

I am of opinion that indebtedness among the middle class people is increasing on account of a general rise in the standard of living among men of the middle class, particularly under the heads, education, clothing and medical treatment. It is however satisfactory to learn that the habit of thrift is also on the increase.

Relations between the different kinds of Banks (Question 7).

The relationship between the co-operative banks and the Imperial Bank of India has been dealt with in a previous portion of my memorandum relating to the financing of agriculture. As regards the joint stock banks, there is ordinarily no antipathy between them and the co-operative banks, mainly because at present they cater for different sets of clientele. On the other hand, the necessity of having a certain portion of their resources in the fluid state very often leads banks of one kind to keep some money in current deposit with a bank of the other kind. The investment of the funds of a co-operative bank in a joint stock bank is, however, discouraged because, in the opinion of my department, the procedure is not perfectly safe.

The question of the adequate financing of co-operative societies has also been dealt with previously. The total amount required would depend directly on the progress in organising new societies. This progress has, in the past, been greatly retarded by the shortage of officers already referred to above. Non-official organisers are not available in all areas, and where they are available they do not always have sufficient time and co-operative training to ensure soundness of organisation. Much of the difficulties which the department has at present to encounter is due to hasty and slipshod organisation at the beginning of the movement by untrained non-official organisers. In my opinion, therefore, the officers of the department will have to take a prominent part in the work of organisation for some time to come. Now that the department is going to be strengthened, I expect an acceleration in the progress of organisation and the financial requirements of the movement will correspondingly increase. But as already stated by me, the rural credit side of the organisation has now inspired public confidence in a sufficient measure and I think there will be no lack of money in ordinary times to cope with the normal increase in the number of village credit societies. In years of general agricultural depression, however, outside assistance will be needed.

Local capital is, however, shy to finance special types of societies, e.g., milk and industrial societies, and in this respect provision of State-aid is essentially necessary. But the proposition is not universally true. When the irrigation movement was started in the Bankura district the Central Bank organised at Bankura to finance the new type of societies had no difficulty in attracting local capital in a sufficient measure. The Government of Bengal has recognised the necessity of State aid to encourage the growth of new forms of co-operative organisations by the grant of loans to the Bengal Silk Union, the Central Industrial Union as well as to unions for marketing of milk.

Among the concessions needed to stimulate the growth of co-operative organisation, I have already mentioned the making over of Government treasury and sub-treasury work to approved Central Banks. It is also required (1) to improve the existing facilities for Remittance Transfers, (2) to exempt all income of co-operative societies from income-tax, (3) to reduce the fees charged for money remitted through the post office by co-operative societies. The debentures if any issued by provincial banks should certainly be placed on the list of Trustee Securities. In this connection I wish to invite the attention of the Committee to the recent orders of the Calcutta University disapproving of the investment of the funds of aided schools in the local central banks. Such investment was advantageous to both the parties concerned as the central banks are able to offer a much higher rate of interest than the postal savings bank in which such funds will, otherwise, have to be invested.

Enlargement of the Scope of Co-operative Societies (Question 7A).

To give sufficient facilities to the depositors, and thus encouraging deposits, the Central Banks should be able to grant loans to depositors against and up to the amounts of their deposits. This opinion has been endorsed by most of the central banks in reply to an enquiry made by the department.

It is not necessary to relax the restrictions placed on the investment of the funds of co-operative societies by section 32 of the Co-operative

Societies Act. In Bengal, the scope of official control on the working of co-operative organisations is very restricted, and section 32 provides a salutary check against instances of thoughtless or irresponsible acts of the authorities of societies. For the same reason and, in the present condition of the management of joint stock loan offices, I do not advocate free inter-lending between co-operative societies and such banks. I have already referred to the policy which the department is pursuing in this respect. But with proper precautions, it may be possible to utilise a part of the money employed in financing cultivation through the agency of co-operative societies to finance the marketing of crop.

The present arrangement of finances in the central banks, with the apex organisation, namely, the provincial banks, affords a very suitable machinery for remittances of money from one place to another. A beginning has just been made by such banks as the Burdwan Central Bank, the Jahangirnagar Traders Bank of Dacca and the Town Co-operative Bank at Rajshahi, and the banking facilities provided by them are greatly appreciated by the public; other central and important urban banks are gradually following the example set by them.

Effect of the establishment of Co-operative Societies (Question 7B).

The establishment of co-operative societies in rural areas has had the effect of lowering the rate of interest prevailing in that locality, both in respect of secured and unsecured loans. But these organisations have yet touched a small part of the rural population and even in areas covered by them the full benefit of the movement cannot be reaped owing to its inability, under the present arrangements, to allow large loans for the redemption of old debts. The debts often carry a high rate of interest. The necessity for land mortgage banks to wipe off such debts has already been dealt with. It has also been stated how the progress of co-operative organisation was hampered by the want of an adequate staff of officers in the department.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

I have very little practical experience of the working of joint stock banks. My official duties have brought me into intimate contact with the officers of only one such bank in Pabna district but as the matter is now *sub judice* I refrain from making a reference to it. Generally speaking, I think that the loan offices are doing useful work by attracting capital much of which would otherwise have remained idle, and that they should be preferred to the ordinary money-lenders. Some of them have also encouraged thrift by introducing provident deposit schemes. Their main defects are: (1) They are generally managed by amateurs with little or no practical knowledge of banking. (2) Arrangements for audit are not satisfactory. For these reasons cases of failures of such banks are not uncommon. The only suggestions I can make for their improvement are:—

- (1) The statutory provisions regarding the qualifications of managers, and
- (2) the provision for independent audit by taking away from the management the power of selecting their auditors.

Part III.—Investment Habit and Attraction of Capital.

If the cost of living and indebtedness is on the increase among the middle class people, there is no denying the fact that thrift and the habit of investment are more common now than what it was 30 years ago. Life insurance is gradually becoming more and more popular and the response already received to the scheme for co-operative insurance recently inaugurated leads one to hope that life insurance will in course of a few years be popular with the rural population as well.

The co-operative banks as well as the joint stock loan offices have been remarkably successful in attracting a huge amount of capital, an achievement which 20 years ago very few people could have considered possible. The failure of some banks in Calcutta and other places appear to have shaken the faith of the investing public in the security offered by joint stock banks. The co-operative banks have, on the other hand, continued to enjoy public confidence in an increasing measure and the public appear to be gradually realising the fact that the joint unlimited liability of the members of rural societies affords perfect security to the depositors of central banks. As an illustration of this proposition, I may state that although in Pabna area a large number of village societies have had to be placed under liquidation, the local public prefer the Pabna Central Bank to the local loan offices for the investment of their money with the result that this Central Bank has now a large surplus, which it has invested in the Provincial Bank and some other central banks.

Many of the central banks and joint stock banks have encouraged the habit of thrift by introducing provident deposit schemes under which the depositor may secure the payment of a specified amount in return for small monthly payments. The attractive feature of these schemes lies in the fact that interest is calculated every year and added to the amount of the principal. The Rajshahi Central Bank has been able to obtain about Rs. 50,000 from this source. In many central banks, however, the results are not so prominent and this, in my opinion, is due to the fact that the central banks' staff do not like the additional work thrown upon them by having to keep these accounts. It is easier for them to get a deposit of Rs. 6,000 from one local capitalist than to make up this amount by 100 monthly deposits of Rs. 5 each. In spite of this the schemes are gaining in popularity. Government officers do not ordinarily avail themselves of these schemes as they are liable to transfer and it is troublesome and expensive to have to make these remittances by post at the beginning of every month. This difficulty may be easily removed by the Government agreeing to an arrangement by which the depositors might make payment by deduction from salary, the necessary adjustment being made through the Imperial Bank and the Provincial Co-operative Bank. Such arrangement exists in the case of the Hindu Family Annuity Fund and there is no reason why the similar concession should not be granted to the co-operative banks, especially as it would be greatly beneficial to the employees of the Government.

Among other devices for encouraging the habit of thrift and saving may be mentioned the introduction of the home safe boxes which has been successful in many urban areas and some rural areas. In rural areas especially among members of village credit societies the *mushti* system is most suitable. This requires the housewife to keep back a

handful out of the total quantity of rice to be cooked for each meal for the family and I beg to invite the attention of the Committee to the remarkable results obtained by this method by the village societies in Matlab area in the district of Tippera, mentioned in the annual report of the Co-operative Department for the last year. The introduction of such saving habit, however, forms a part and parcel of co-operative training of the individual members, which depends on the adequacy of the staff employed by the department and the proper training of that staff.

ANNEXURE.

Organisation of Land Mortgage Banks as annexe to Central Co-operative Banks.

It is a recognised principle of rural credit that a cultivator requires credit facilities of three kinds to satisfy his need and to enable him to carry on his occupation. In the first place, the cultivator must be given short-term loans, i.e., loans repayable within a year for the cultivation expenses of the main crops and for the maintenance of the family during the cultivation season. Secondly, he wants intermediate loans, i.e., loans repayable in instalments distributed between 3 and 5 years, for purchase of cattle, erection of houses, minor works of improvement and repayments of small debts. Lastly, he wants long-term loans repayable in instalments running from 5 to 20 years for the redemption of old debts, for acquiring property and for carrying out expensive improvements such as drainage, irrigation and bunds.

The system of rural credit on co-operative basis, as undertaken at present through the agency of central banks and primary societies affiliated to them, satisfied the needs of cultivators (and other people of similar status like village artisans) in respect of the first two kinds of loans, viz., the short and intermediate. No arrangement has yet been made, so far at least as the presidency of Bengal is concerned, for the supply of credit for the third purpose. Yet the problem is one of great practical importance. Such investigation as has been made tend to show that the accumulated debt of the cultivators is very considerable and that such debt cannot be wiped off unless the cultivators are allowed loans of sufficient amount at a reasonable rate of interest, which they can pay off in easy instalments.

To persons engaged in promoting the co-operative movement, the gravity of the question cannot be exaggerated. The object of a co-operative society is to make the members ultimately free from outside debts and to enable them to enjoy the fruits of their labour instead of handing them over to the mahajans. This object cannot be achieved and little real benefit can be conferred on the cultivators so long as they continue to be indebted to professional money-lenders in respect of large sums, obtaining from the co-operative society only the money required for cultivation expenses and kindred purposes. On the other hand, if loans are given from rural societies for the liquidation of old debts, it is impossible for the cultivator to repay the loans within a period of 3 years for which the kists are ordinarily fixed with the result that the society defaults its kists with the Central Bank and the latter

cannot fulfil its financial engagements with the financiers. The Central Banks ordinarily obtain their finance on a term not exceeding 3 years and it is therefore impossible for them to allow a longer period of repayment to the village societies. There is yet another reason why big loans for the liquidation of old and accumulated debts should not be advanced from rural societies of unlimited liability. Such loans are ordinarily large in amount and are ordinarily required by substantial cultivators. It is not fair to saddle the ordinary cultivator-members with joint unlimited liability for such loans.

The question has attracted the serious attention of all men engaged in solving the problem of rural improvement and there is now a unanimity of opinion that banks should be established for supply of necessary credit to cultivators on mortgage of their property and that such banks can be organised on co-operative basis. This view has been endorsed by no less an authority than the Royal Commission on Agriculture in India in paragraphs 381 and 382 of their Report.

It is believed that the question is now under the attention of the Government. In the meanwhile, co-operative workers should not remain idle. In the present article therefore the writer proposes to place certain suggestions regarding what central banks can do to help the members of affiliated societies in this respect. It has been pointed out above that among these members there is a considerable number who require such loans. And although the rules discourage the issue of such loans from rural societies cases are not rare when driven by sheer necessity members have taken advantage of their position as office-bearers of rural societies to appropriate large sums of money for their own needs. The Government Rule requiring the sanction of the central banks to all loans over Rs. 250 is honoured more in the breach than in the observance. It is not to be wondered at that such members not only default in respect of their own kists (for their incapacity to repay the loans within a short period of 3 years) but set a bad example to others, with the result that overdues are found increasing, a point which was stressed by Srijut Indu Bhushan Bhaduri in his presidential address in the Bogra Divisional Conference, 1928.

In the interests of the credit movement undertaken by the central banks, therefore, it is of paramount importance that arrangement should be made for the grant of long-term loans to such members of rural societies as may require them.

I therefore propose the organisation of a Land Mortgage Bank for each central bank, or for such group of central banks operating in one administrative area, a district or a subdivision. It will be organised on co-operative basis and registered under the Co-operative Societies Act. It will be a society of the mixed central type, having both individual as well as society share-holders. The necessity for this will be explained later on. It will work as an annexe to the central bank or central banks concerned.

The main reason why the central banks as at present constituted cannot grant long-term loans is that they themselves obtain finance for periods not exceeding three years. No inside depositor will agree to his money being locked up in a central bank, about the solid security offered by which the outsiders have at best a hazy idea, for more than three years, without demanding an excessive rate of interest. To surmount this difficulty I propose to utilise those portions of the central

banks' working capital which are not supplied by the ordinary depositors. They are detailed below.

There is in the first place the share capital of the bank supplied by the society share-holders and in the case of mixed type central banks by some individual share-holders. Ordinarily speaking, the share contributed by registered societies affiliated to a central bank will not have to be refunded except in the case of their liquidation. The share money paid by individual members have to be paid back under certain circumstances. To provide for these contingencies we may leave a portion of the share capital and utilise the remainder, say $\frac{1}{3}$ ths.

Secondly, there are the reserve and other special funds created out of the annual profits of the central banks. The only objection to their utilisation for this purpose is that they are formed with the object of furnishing a solid security for the investors and it may therefore be argued that they should not be invested except in a perfectly safe manner, e.g., in Government securities or in fixed deposit in the Provincial Bank. The reply to this criticism would be that, firstly, if worked on proper lines there is no reason to consider a mortgage bank as unsafe, and secondly, by supplying long-term loans to village society members, the mortgage bank will have the direct and immediate effect of reducing overdues and minimising bad debts. It will therefore serve exactly the same purpose as that for which the reserve and other similar funds are intended.

Thirdly, there are the reserve funds of village societies, which under the existing orders of the Registrar of Co-operative Societies, Bengal, have to be separately invested in the Central Bank. They can be treated as long-term deposits, because, as in the case of the share capital, it will not be liable to be refunded except in the event of liquidation of the society concerned. It is true that these orders of the Registrar are not followed in many cases and as a result the amount of the reserve fund of village societies invested in the central bank is very small in the case of most central banks. But it is believed that if the central bank makes a serious effort the orders of the Registrar can be enforced, especially if it is explained to the members that the money will be used for their benefit. In this connection, it should be noted that there are reasonable grounds for complaint on behalf of village societies to the investment of their reserve fund at the low rate of $4\frac{11}{16}$ per cent. as laid down in the Registrar's circular on the subject. It is for consideration whether the rate of interest cannot be raised to 6 per cent. so that central banks may advance the amount to the mortgage bank at $6\frac{1}{2}$ per cent.

Fourthly, there is the amount derived from provident endowment schemes in force in various central banks. In details these schemes differ in different central banks, but the essential terms are that by small monthly payments a depositor can get a considerable amount at the end of a fixed number of years. The rate of interest allowed vary ordinarily between $6\frac{1}{2}$ to $7\frac{1}{2}$ per cent., but popularity of the schemes is due to the fact that interest is added six-monthly or annually so that in effect the depositor is entitled to the advantage of compound interest. These are all long-term deposits, the period varying from 10 to 15 years and it will be perfectly sound to invest a portion of it, say two-thirds on long-term through mortgage banks.

Lastly, we have the newly registered Bengal Co-operative Insurance Society which has immense possibilities before it. There is no reason

why, if properly advertised and explained, the central banks should not be able to get half their village society members insure with this society. In a central bank with 200 societies and 4,000 members, there should be a monthly collection of Rs. 1,000 if only 25 per cent. of society members insure themselves and pay Re. 1 per month on the average, bringing to the central bank deposits amounting to Rs. 12,000 per annum. Then there are outsiders and among the urban population the central bank can easily get another 1,000 proponents paying Rs. 12,000 per annum. This is the very least which we should expect in an ordinary district town. Under the present arrangements the bulk of this money will be locally invested in the co-operative movement and as they are essentially long-term deposits at least a part of it, say two-thirds, can safely be used for financing the proposed mortgage bank.

If these suggestions are accepted, a well managed central bank of some standing will have no difficulty in obtaining sufficient funds to make a beginning. It need hardly be said that it is not proposed by this means to raise sufficient funds to wipe out the indebtedness of all the big cultivators and small landholders of any particular area. But leaving the larger problem to be solved by the State, there is no reason why central banks should not attempt a solution of the very pressing problem of supplying long-term finance to those members of rural societies who require the same and thereby to secure for them the full advantage of the movement and also to prevent the tendency, which is daily growing to be a serious menace to the financial soundness of many societies, of individuals appropriating large amounts as loans which they are unable to pay in accordance with stipulated kists.

Most of the finance derived from the source mentioned above may be obtained at rates of interest varying from 6 to 7 per cent. It would thus be quite possible to the proposed mortgage bank to lend money at $9\frac{3}{8}$ th per cent. per annum, as it is a well recognised principle that long-term loan should be available at a lower rate of interest than ordinary loans. But having regard to the fact that such organisations are in the nature of an experiment, that it is necessary to build up a substantial reserve fund as soon as possible, and that facile credit is not an unmixed blessing. I propose that loans should be given at the rate of 12 per cent. per annum. Punctuality in repayment should be strictly, even rigorously, enforced and a dispute for the entire balance should be filed as soon as there is wilful default in respect of a single instalment.

As I have suggested in a previous portion of this note, membership will be open to individuals as well as to registered societies. Only rural credit societies, affiliated to the central bank to which the mortgage bank is attached, will be eligible for membership and no individual will be admitted as a member who is not himself a member of a rural credit society already affiliated to the mortgage bank. This would be in keeping with the object of the bank as defined in the foregoing paragraphs. When a member of a rural credit society desires to apply for a long-term loan from the mortgage bank he will be required to submit his application in the first instance to the village society, of which he is a member. The application will be considered at an extraordinary general meeting of the society and the meeting will scrutinise the amount and purpose of the loan as also the fixation of kists with regard to the applicant's ability to make punctual repayments under normal circumstances. When the members

of the society are satisfied that the application should be granted they should make a resolution accepting responsibility for the loan up to Rs. 250 in the case of non-realisation from the applicant and then forward the application with a copy of their resolution to the central bank. The secretary of the central bank will cause a careful enquiry to be made by the area-supervisor of the central bank and will then forward the papers with the remarks to the mortgage bank for disposal. If, however, the central bank secretary is unable to agree with the opinion expressed either by the village society or the supervisor it will be his duty to refer the matter to the managing committee or the working committee of his bank, as the case may be, before forwarding the papers to the mortgage bank.

Before describing the procedure to be followed in the mortgage bank, it will be convenient to discuss what arrangements are to be made for the staff both in-door and out-door. In a mortgage bank organised essentially as an annexe to a particular central bank with the object of financing a certain number of the village society members, the secretary of the central bank or its chief salaried officer, by whatever designation he may be known, will agree to act as the secretary of the mortgage bank on a small remuneration or for a bonus to be paid out of the annual profits. This arrangement has been working satisfactorily in the only existing Land Mortgage Bank in Bengal, which is located at Naogaon, where the Manager of the Ganja Cultivators' Co-operative Society has been working as the Honorary Secretary of the Land Mortgage Bank annexed to the main society. He may be assisted in the office work by one or more clerks according to the volume of business for keeping the prescribed records and making necessary enquiries at the office of the Sub-Registrar. As regards out-door work, the central bank supervisors will be quite able to do the work, each in respect of his own area, and as a matter of fact, very little additional work is to be done. A good supervisor will realise that the mortgage bank is a valuable ally to the credit societies and the central bank and should do all in his power to help in the experiment. The assistance rendered by them will be considered at the time of distributing profits when profits are declared at the end of a year's work. The authorities of two important central banks, with whom I have discussed these preliminary arrangements, have expressed their full agreement with them.

Resuming now the procedure to be followed in respect of an application, we have already described how it will reach the office of the land mortgage bank after a thorough and careful scrutiny by the village society, the area-supervisor and the office of the central bank. The application will be subjected to a further scrutiny in the office of the land mortgage bank, but if the secretaries of the two organisations are one and the same person, very little light can be expected in course of the last scrutiny. A search will then be made in the registration office to verify the statement of the applicant with regard to the encumbrances already existing. The case will then be ripe for the consideration of the body of directors of the land mortgage bank and as provision will be made in the bye-laws for representation not only of the borrowers and of the central bank concerned but of outsiders of special experience and qualification, their decision will not necessarily follow in the wake of the central bank resolution.

It will be seen that if these safeguards are adopted and properly worked, the dangers of facile credit will to a great extent have been

eliminated, and risk of bad debts will as far as possible be minimised. The temptations to obtain a large loan at a comparatively low rate of interest are however very strong and it is possible that an influential director of a village society may secure an unduly favourable report from his society and the area-supervisor and even from the central bank office. To guard against such contingencies it will be necessary, following the precedent of the Punjab, to provide for the Registrar nominating a special member, without whose consent no loan will be given to any of the directors of the mortgage bank themselves or no loan exceeding Rs. 1,000 will be allowed to any individual.

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Mr. B. K. Das, Assistant Registrar, Co-operative Societies, Chittagong Division.

Part 1.—Agricultural Credit and Credit Facilities for Small Industries.

Question I.—(i) (a) For expenses during cultivation—The agriculturist generally requires small loans to meet his cultivation expenses and for this he goes to the village money-lenders and also to co-operative societies, if any, existing in the village. Dealers in agricultural produce are found to come to the field to help the agriculturist with the sinister motive of capturing their produce by the system of dadans.

(b) For capital and permanent improvements—The help of Zemindars, Talukdars, big money-lenders and also of the loan offices and co-operative societies is sought for.

(c) For failure of monsoon, for land revenue and flood, etc.—When there is a failure of monsoon, or a disaster like a flood, the usual finance system receives a check, as the financiers are afraid of losing their money owing to the distressed condition of the borrowers. Consequently, people have to cry for help from Government or outsiders. The Government help is generally restricted to agricultural loans which are not sufficient to cope with the just demands and public charities have been of immense help at such times. Co-operative societies have done great service in such crisis and the objects of Government loan have been to a great extent fulfilled by them.

(ii) Rates of interest charged in this division vary from 18½ to 75 per cent., if not more in certain special circumstances. The rate of interest in co-operative societies, however, is from 10½ to 18½ per cent.

The period of loans is generally for a short-term, i.e., the agriculturists borrow on promise to repay at the harvest time, but they can hardly keep up their promises owing to various circumstances.

Nature of security given and accepted—The nature of security is different according to the size, purpose and nature of loans.

For loans to meet cultivation expenses the money-lenders generally insist on pledging of produce, cattle, ornaments and also lands.

To take big loans for capital and permanent improvements they borrow money from big money-lenders and loan offices by mortgaging their landed properties.

Co-operative societies, however, generally look to personal securities as they have the best security in their unlimited liability with which such societies are formed.

The percentage of secured and unsecured loans is estimated at 70 per cent. and 30 per cent. respectively.

(iii) The part played by Government and Imperial Bank in the matter of agricultural finance is almost nil. Joint stock banks help to a very little extent indirectly through money-lenders, indigenous banks and dealers in produce.

The main part in this respect is played by village money-lenders, and co-operative societies where they exist.

The big dealers in agricultural produce play also an important part by their system of dadans at the sowing season.

(iv) For this division the total amount of capital needed for various purposes annually may be estimated at Rs. 1,50,00,000.

(v) The principal defects in the existing system of finance referred to, appear to be the following:—

(a) The lands of agriculturists are gradually passing into the hands of their money-lenders excepting, of course, in the case of co-operative societies which come to the field with the sole object of saving them from their clutches.

(b) Agriculturists are sorely in the grip of the dealers in produce and have practically no voice in the disposal of their produce which is obtained at the cost of their life-blood.

(c) The system of finance is also responsible for chronic indebtedness of agriculturists. For, in the first instance, they are duped by the money-lenders and dealers in produce, who are alive more to their own interest than to anything else. The money-lenders advance loans with the motive of capturing the lands which are mortgaged, and seldom care for repayment of the principal if anyhow they can manage to save the limitation of bonds by realising something as interest only.

Remedies.—There are, of course, various remedies for the defects mentioned.

Among others the following are suggested:—

- (1) Removal of illiteracy.
- (2) Starting of co-operative land-mortgage banks.
- (3) Starting of co-operative sale and supply societies.
- (4) Restriction of lending money by fixing a maximum limit through legislature.
- (5) Occasional inspection of the accounts of the money-lending concerns by the Circle Officers to check extortionate rates of interest and high-handedness of the agricultural financiers by legislation.
- (6) There is want of co-ordination among the various financing agencies excepting between the Government and co-operative societies, which, though interested in agricultural finance, have still ample scope to effect many-sided improvements.

Question 2.—(i) The marketing of principal agricultural crops, viz., jute, paddy, cotton, etc., varies with regard to different conditions in different localities in this Division. Between the producer and the consumer there is a number of intermediaries known as farias, beparis, dalals, aratdars, etc. Generally the farias collect the produce and sell it to the beparis who again take it to the arat, where it is either

exported or sold through the aratdars or brokers. For local supply there is a different set of middlemen through whom the consumer gets his supply.

The raiyats are unable to hold up their crops for better price partly due to their pressing needs for money and partly to their obligation to the dadandars for repayment of loans taken at the cultivation season.

(ii) The best way to help the producers in disposing of their produce at a better market is, I think, the organisation of co-operative sale and supply societies and getting them interested in joining the same by explaining to them the benefits to be accrued thereby.

(iii) There are 27 co-operative sale societies in this Division of which 5 are in Chittagong, 8 in Noakhali and 14 in Tippera.

There are two kinds of such societies—primary and central.

Primary societies are composed of actual growers who sell their produce either in the local markets or through the central sale and supply societies where there is an opportunity to do so.

No primary society is linked to any central organisation. They are neither financed by the central organisation nor by any outside financier. The nearest central bank of credit type is unwilling to finance such societies as their liability is limited by shares, which are hardly sufficient to justify for their requisite borrowings. They have, therefore, to depend on their share capital and local deposits, if any, to carry on their business and as such, are generally handicapped for finance.

The difficulties of financing central sale societies have partly been met by the grant of cash credit or temporary loans by the Provincial Co-operative Bank against hypothecation of goods generally. As some of these central societies have undertaken business on a large scale, they experience great difficulties in the matter of finance.

(iv) The existing facilities for the financing of products are as follows:—

Farias take small loans at exorbitant rates of interest for a short period, say, a week or fortnight, and purchase the produce from the individual growers on a small scale. The beparies purchase from the farias as well as from the growers direct sometimes and they are generally financed by aratdars and big dealers in produce.

These facilities have their drawbacks, for indirectly the above intermediaries are a heavy charge upon the actual producers and if indigenous banking preferably through co-operative organisation can be introduced to facilitate the financing of marketing of crops, the charge will to a great extent be lessened.

(v) In regard to the facilities for the financing of products during marketing, there is really special difference between internal trade and foreign trade. Better monetary facilities granted by the Imperial Bank and other concerns of similar type are availed of by those who deal in foreign trade, but all other intermediaries who deal in internal trade have got very little opportunities in that respect. They borrow locally at high rates of interest and do business in such a way as to cover that rate, with the result that the actual growers are hard hit. If measures could be taken to give sufficient banking facilities to these dealers, the benefit would have been derived by the growers and consumers alike, for the actual charge of consumption would then have been lessened.

(vi) (a) Already dealt with in answer to 2 (iv).

(b) The grower of produce does not really get the full value for his produce due to speculative activities both in purchase and sale, but this speculative element, too, has its utility and cannot be totally ignored. for it plays an important part in determining the price of commodities to the benefit of growers to a certain extent; otherwise, by the elimination of these speculative bodies, the margin of profits would have entirely gone to the pocket of the foreign traders.

If it is intended to benefit the growers, what is necessary is to enact some law to control the export and import of crops.

(vii) Yes, I think so. The principal cause among others is want of training in this direction.

(viii) By cheques, drafts, hundis, postal money-orders and insurance, bearers, etc.

(ix) The existing systems referred to above are defective. The money-order commission is a heavy charge and involves much time.

The Insurance fee, though small, involves almost the same delay in transmission as in the case of money-orders.

Difficulty is experienced in exchanging G. C. notes of big values for notes or coins of small denomination.

The usual practice of remittance through bearers, by boat, steamers and rails, etc., is very risky and costly.

If the growers could be brought within the folds of co-operation and co-operative institutions were granted banking facilities, especially in the matter of remittance, and they could take free advantage of the local Sub-treasuries or thanas for safe custody of their cash balances, much of the difficulties now experienced would have been obviated.

It is an admitted fact that closer the co-operation between producers and consumers through proper system of banking facilities, the greater the economy of time, transit and money and it is believed that this can be effected by a net work of co-operative organisations throughout the length and breadth of the country.

(x) The negotiable instruments play a very insignificant part in the internal trade of the province for it is generally carried by silver coins and G. C. Notes due to illiteracy of the growers and also want of proper indigenous banking facilities.

(xi) If steps could be taken for giving facilities by introducing indigenous banks, and reducing the duty on bills, the growers might perhaps take advantage of the opportunities and be greatly benefited.

(xii) There are two classes of hundis generally in this Division, known as muddati and darshani.

The muddati hundis are to be paid within a certain period stipulated in the hundis and the darshani hundis are required to be paid on sight but the use of the latter in this Division is rare due to want of banking facilities.

(xiii) Yes, this will greatly facilitate their use if, of course, the use of such forms is restricted to approved banks and bankers.

(xv) The hundis are generally sent to a provincial centre and discounted there. Hardly they are held by middlemen, merchants or commission agents.

(xvi) No such facilities exist for rediscounting hundis in this Division. Local central banks might discount the hundis of selected primary societies and the Provincial Bank ought to rediscount these bills on a small commission or discount.

Question 3.—(i) In this division the value of land per acre differs in different places according to the fertility of soil, situation, etc.:—

	Rs.	Rs.
Value of jute land	1,000 to 3,000
Value of paddy land	500 to 2,000
Value of bhiti land	200 to 1,000

(ii) Fertility of soil, better facilities for irrigation and transmission of produce to hats, mokams and important commercial centres are the principal factors affecting the value of land.

The value of land at sales for non-payment of revenue and that in the event of sale by court decree is lower than the usual rate at which it is sold by private negotiations.

Question 4.—(i) There is no perceptible impediment.

(ii) The amended Bengal Tenancy Act has to a great extent improved the credit of the agriculturists.

(iii) The fragmentation of the agricultural holdings and their smallness offers one of the chief difficulties in starting long-term institutions like land mortgage banks.

(iv) No.

(v) Land-margage banks on co-operative lines may be organised for the benefit of tenants and land-holders.

(vii) (a), (b) and (c) As no land mortgage bank exists in this Division it is premature to suggest any measures required in (a), (b) and (c).

(viii) (a) *Deposits.*—As regards ordinary deposits there are certain difficulties, for land mortgage banks will issue loans for long periods and they will hardly be able to secure such long-term deposits and as such they cannot depend largely on deposits for working capital.

(b) *Funds from Central institutions.*—The best help can be rendered by the central financing institution which ought to raise cheap capital by receiving loans from Government at low rates and by issue of debentures guaranteed by Government.

(ix) It will suffice if debenture bonds carry Government guarantee for interest only.

(x) Creation of sufficient sinking funds and a first charge on the mortgages.

(xi) The following terms suggested:—

	Per cent.
For raising funds with Government security ...	4½
For raising funds without Government security ...	6
For lending money ...	6 to 7½

(xii) Yes.

Question 5.—(i) to (vi) This estimate can accurately be arrived at by a proper survey of a locality. This has been undertaken by the Enquiry Committee by intensive survey of the indebtedness of the people.

(vi) Agricultural indebtedness appears to be increasing with the increase of a desire in the people to live in a more civilised way and also with the increase in the people of a strong desire to acquire more landed property.

(vii) Almost nil.

(viii) All schemes of a big nature should be taken up for execution under the Land Improvements Act.

(ix) Yes, Kabulis are found in many parts of this Division. Their main business is to lend money at a very extortionate rate of interest, say, 65 per cent. Besides lending money they have other occupations, such as sale of piece-goods on credit, charging a very high price. Though they are a terror to the villagers the latter are easily caught in their traps due to their illiteracy and chronic want.

(x) Cases of heavy accumulation of debts and prolonged duration of loans are many.

To give one or two concrete instances I may quote the following:—

In village Purba Kazirgaon in Tippera one Hamid Ali Miji borrowed Rs. 1,000 from one Lal Meah, clerk, Hajiganj Sub-Registrar's office, at the rate of $37\frac{1}{2}$ per cent. by mortgaging his properties and the loan has now come up to Rs. 5,000 with interest.

There was another interesting instance at Hajiganj within the Chandpur subdivision. One Protap Chandra Saha sold on credit a sack of Rangoon rice for Rs. 20 to a man, on his executing a bond for the same with a high rate of compound interest. The man failed to repay the amount within the stipulated time but renewed the bond from time to time. After a lapse of about 20 years the debt went up to a lac and a few thousand rupees. Though the lender sued him in the Court claiming for a few thousands only and ultimately had a compromise effected, the nature of the accumulation and the evils of prolonged duration may be judged from such an instance.

(xi) The Usurious Loans Act has failed to serve the purpose for which it was enacted as the money-lenders get their bonds periodically renewed by amalgamating interest with the principal. In my opinion, unless more facile credits could be arranged for the needy by starting indigenous banks, abuses will continue to be practised by the money-lenders, if recourse to this Act be fully taken.

(xii) No such standard. The discretion lies with the trying Munsiffs and Judges.

(xiii) Yes, many money-lenders take a bond for larger amount than what is actually loaned out and this abuse will be more rampant if the Usury Act is put into action more rigidly.

(xiv) This can be effected well through co-operative organisations with the co-ordination of the Agricultural Department.

(xv) Usually 50 per cent. of the quantity lent out. The repayments are made both in cash or kind.

(xvi) The rates of interest generally vary from 12 per cent to 75 per cent. They charge both simple and compound interest. They wait for repayment till the due date and if there is failure they sue their debtors.

or get renewed bonds from them. In the latter case the principal and accrued interest are converted into a principal amount.

(xvii) Yes, to a large degree.

(xviii) Yes, much of the incentive is taken away.

Question 6.—(i) The number of small subsidiary industries cannot be definitely ascertained. The producers seldom try to have recourse to small industries in their leisure time.

Womenfolk in some parts of this Division husk paddy and work as labourers in cotton-ginning factories.

(iii) The following enterprises may be suggested:—

(1) Fish-rearing.

(2) Spinning.

(3) Mat and basket-making.

(4) Rope-making and net-weaving.

(5) Gardening.

(6) Rice husking on a larger scale.

(iv) By starting industrial co-operative societies backed by Government subsidy and Government loans at a low rate.

(v) In the initial stage of such societies sufficient Government subsidies are necessary.

Question 6A.—(i) By share capital and borrowed capital from joint-stock concerns and Government.

(ii) By Government loans at a low rate of interest in the initial stage of such industries.

Question 6B.—(i) Private money-lenders and co-operative societies, and loan offices in case of big loans, but industrialists having little or no property to offer as security hardly succeed in getting loans easily and at cheap rates.

(ii) They generally borrow for ceremonial purposes, redemption of old debts, construction of houses, defraying of expenses of education of children and for carrying on business and their community's industries. The rate of interest on such loans generally vary from 12 per cent. to 37½ per cent.

The difference in the rate of interest in the case of secured and unsecured loans is from 9½ per cent. to 18 per cent. generally.

(iii) Indirectly such help is found through co-operative societies which try to finance societies formed among the day-labourers, fishermen, small traders, service-holders and middle class gentlemen, the cost of maintaining a Co-operative Department being borne by Government. The help of joint stock banks is very little in this respect as the rate of interest charged on loans is higher than that of co-operative societies and the Government help to foster industries should be on a more liberal scale and at advantageous terms.

(iv) Indebtedness is on the increase.

Question 7.—(i) Generally, no relations are found to exist between co-operative societies and joint stock banks and indigenous banks, but for sometime past selected co-operative banks are getting financial accommodation by way of cash credit from the different branches of the

Imperial Bank of India, but they do not give the accommodation unless the repayment is guaranteed by the Provincial Co-operative Bank.

(ii) The difficulty in raising short-term capital is that co-operative societies cannot secure sufficient short-term deposits to meet the demands for short-term seasonal loans.

The want of better facilities for transmission of money presents also another difficulty in securing such short-term capital. In case of long-term capital not much difficulty is experienced.

(iii) At a rough estimate I think an extra capital of a crore and half is necessary for financing the co-operative movement in my Division.

(iv) There is very little competition noticeable between the co-operative banks and joint stock banks and branches of the Imperial Bank of India, for the rate of interest in co-operative societies is generally uniform and that in joint stock banks varies according to their convenience and solvency of parties in general. And as the branches of the Imperial Bank of India deal with big commercial people generally, there is very little competition with co-operative banks.

(v) Yes, all the concessions referred to are indispensable for stimulating a healthy growth of the movement.

Question 7A.—(i) Yes, such concessions may be allowed to depositors only against security of their deposits, but in case of individual members these concessions may be allowed on security of landed properties.

(ii) No, any further relaxation is not desirable, but I could advocate inter-lending between one co-operative bank and another.

(iii) No.

(iv) Not cordial in all cases. Very little assistance is accorded to co-operative societies, I must say.

(v) Banking business, such as remittances of money from one place to another, may perhaps be taken up by central banks if they are permitted to meet the demands of co-operative sale and supply societies and other industrial business concerns both on co-operative and joint stock lines out of their funds subject to approval of the Registrar. As central banks now exist at each subdivisional headquarters and even at important centres they can give sufficient facilities to other big societies and business concerns in their jurisdiction if they are permitted to take up the question of remittances from one place to another by introducing hundi and demand draft system.

Question 7B.—(i) Though the majority of the agricultural population are still in the clutches of mahajans, the sphere of co-operative activities being limited, it is an admitted fact that even now the establishment of co-operative societies has succeeded in lowering the prevailing rates of interest in the locality.

(ii) The number of professional money-lenders is gradually decreasing with the establishment of co-operative societies. In localities where the movement has spread sufficiently it has been noticed that money-lenders themselves deposit their money in large proportion with co-operative institutions. Instances are not rare of such money-lenders taking active parts in the management of co-operative concerns.

In the Chittagong town Babus Lal Mohan Chowdhury and Nagendra Nath Roy Chowdhury, who are respectable local zemindars and who had private money-lending business of their own, have as a result of the spread of the co-operative movement curtailed their sphere of money-lending business and rendered valuable services to the movement by their association and monetary help.

(iii) (a) Existence of too many money-lenders, who are not controlled by any legislation to keep to a definite limit with regard to interest charged by them.

(b) Absence of any legislation with regard to recovery of dues of any recalcitrant members by the Certificate procedure.

(c) Insufficient education of the agriculturists in the principles of co-operation

(d) Priority of co-operative loans over dues of other creditors.

Part II.—Indigenous Banking.

Questions 1 and 2.—The functions and methods of working of the indigenous bank or banker may be generally summed up as follows:—

(i) There is a class of petty money-lenders who simply grant loans to agriculturists and other needy persons at a high rate of interest and their income is derived from such money-lending business.

(ii) There is another class of money-lenders who finance middle class traders, artisans, manufacturers, etc., by way of granting loans through hatchitas according to the normal credit of each party and on security according to circumstances of each individual case. In such cases of loans the borrowers have a fixed period for repayment, not exceeding a year, though they are allowed fresh loan if they can maintain their credit.

(iii) There are some private firms which accept hundis, drafts, cheques of different banking and business concerns by charging certain discount. All such firms have generally got their central office in Calcutta and branches at important commercial centres. Like post offices they accept money on condition of its safe transmission to the places where they have their branches and charge a very low rate of commission for the same. These firms, by collecting money in this way, finance the big dealers in agricultural produce and businessmen at some higher rate of interest for a short period only on condition of repayment at selling centres, e.g., a jute merchant, who has a purchasing agency at Ashuganj, generally borrows from the above class of bankers at such centres on condition of repayment at Calcutta where the bankers have a gadi and the jute merchant has also a selling agency.

Question 5.—(i) Already described.

(ii) Funds are generally derived from the following sources.

(a) Their own capital.

(b) Outside deposits.

(c) Borrowings.

(d) Cash credit granted by big banks, such as the Imperial Bank, etc.

(iii) The rate of interest varies from 3 to 12 per cent. per annum according to conditions of local money market.

Question 6.—(i) 15 per cent. to 75 per cent., varying as the circumstances require.

(ii) By introducing better system of indigenous banking under suitable legislation and preferably co-operative organisation.

(iii) Yes.

Question 7.—(i) No.

(ii) Yes.

(iv) Not on sound lines.

(v) (a) None of these firms are registered under any Act.

(b) They are not subject to proper audit under the law.

(c) Their balance sheets are not published for information of the depositors and the general public.

Question 8.—(i) To safeguard the interests of the public and those having connection with them, these bankers should be allowed to work under certain legal restrictions if the existing defects referred to above are to be remedied

(ii) If they could be federated into a central association with powers to formulate rules for doing proper business on uniform lines their system of working might be improved and consolidated.

(iv) Their attitude may be hostile to the introduction of any such measures in the beginning, but in the course of time they will realise the utility of such measures when they will see their position much improved thereby.

Question 9.—9 to 15 per cent. per annum.

Question 10.—Not able to meet all demands for accommodation either on account of unacceptable nature of the security or insufficiency of working capital.

Question 11.—(i) By forming a central federation as suggested before.

(iii) By giving prominent place to the local investing public in the board of the local branches.

(iv) By giving them sufficient facilities in carrying on their business under proper control as suggested before.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) Deposits and share capital generally.

(iii) Post Office Savings Bank account, savings bank account in some joint stock banks, and co-operative institutions, provident deposit schemes introduced by some of them, home-safe deposit schemes and musti system introduced in co-operative institutions.

(iv) No.

(v) Yes, if remittances of money for the specific purpose of deposits are given exemption from money-order and insurance commissions, the investing public will certainly regard it as a great concession in the matter of facility for deposits.

(vi) Ornaments generally.

Question 2.—(i) Postal Cash Certificates are popular only to the educated section of the public. Ordinary people can hardly understand their utility and the various procedures for their encashment.

(ii) No.

(iii) No. If daily withdrawals were allowed, the volume of savings bank business will likely increase.

(iv) Generally middle class people.

(v) Yes, their rates are to a certain extent bar to the raising of capital by bankers and banking institutions.

Question 3.—(i) Due to illiteracy the small agriculturists will not favour the idea of taking up any form of Government securities.

(ii) The agriculturists have very little surplus money in their hands after repayment of their debts. So the little they have is kept with them and expended whenever necessary.

The middle class educated section generally deposit their surplus money in Post Office Savings Bank, Co-operative societies or joint stock banks. The money-lending section generally extend their sphere of loan business with such money.

The purposes for which money is expended are:—

(i) Ceremonial rites.

(ii) Redemption of debts.

(iii) Purchase of lands and cattle, etc.

(iv) Such cases are rare. By improving houses, erecting mosques and digging tanks, etc.

Question 4.—(i) Cheque habit is rarely to be found except in people carrying on big business.

(ii) The use of cheque system is gradually gaining in popularity.

(iii) Business people and educated and wealthy sections are generally found to use cheques.

Promotion of cheque habits where there are sufficient facilities for their encashment is desirable. Payment of Government servants drawing pay not less than Rs. 500 per month may be made by cheques.

(iv) Vernacular scripts should be introduced for the facility of banking business.

Question 5.—(i) Yes.

(ii) Ignorance, illiteracy and financial stringency.

(iii) Sufficient propaganda may serve the purpose.

(iv) Considerable banking facilities have been afforded by the opening of branches at different centres. These facilities may be increased if the Imperial Bank of India grants cash credits to various co-operative societies with a view to financing agriculture, industries and trade on small scale. A beginning has already been made in this direction and it is hoped that if the Imperial Bank of India opens more branches and grants such privilege to co-operative societies of different types, the present banking facilities will greatly increase.

88.

Khan Bahadur Maulvi Kamaruddin Ahmad, Assistant Registrar of Co-operative Societies, Dacca Division.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) From mahajans, co-operative societies and joint-stock companies.

(b) The same.

(c) The same.

(ii) From $3\frac{1}{2}$ per cent. to $6\frac{1}{4}$ per cent. per month. Generally one year's term. Personal and land security. Pledging of ornaments. About $\frac{1}{3}$ will be unsecured.

(iii) Government gives agricultural loans and land improvement loans but the amount of such loans is very small. Nothing is done by the Imperial Bank. Joint-stock banks are financing agriculturists but at extortionate rates. Co-operative banks play the most important part. Indigenous banks, etc., also finance them. Nothing is done by the companies dealing in fertilisers.

(iv) The average is Rs. 100 per head. For the province 60 crores.

(vi) There is no co-ordination.

Question 2. (i) They sell their produce to the beparis. They are quite unable to hold up the crop for better price. This is on account of extreme poverty.

(ii) This should be done as early as possible through co-operative societies, but it will require stringent legislation.

(iii) There are some jute sale societies. They are federated to the central wholesale society at Calcutta. They are financed at present by the Provincial Co-operative Bank. They do not experience any difficulty in obtaining funds.

(iv) At present there is no facility. The sale societies may be started and credit may be given to the producers for holding up their products after stocking the same in a central godown.

(vi) (a) It is a fact that the growers do not get their full value for the produce, specially jute, on account of the trade being in the hands of a few men who have got associations whence they can dictate prices. The buyers have association; but the sellers who are scattered all over the provinces have no association or combination. It, therefore, follows that the producers must have one so that they may get a fair price and a living wage; otherwise the agricultural industry cannot go on and the country's resources will be ultimately drained up.

(vii) I do not think there is any other cause.

(viii) By hundis alone.

(ix) It is not available everywhere and for every place. The co-operative societies, of which there are organisations everywhere, may remove this difficulty and open up facilities for internal remittances.

Question 3. (i) Jute land, Rs. 2,000 per acre. Paddy land, Rs. 600 per acre.

(ii) Rise in the price of the produce and security of tenancy in the land.

(c) The value of land increases when it is sold by private negotiations.

Question 4. (ii) The credit has decreased inasmuch as number of transfer has decreased.

(iv) There is none except a few that are just being started.

(v) They are borrowing from the central banks, but not on the true principle of banking.

(viii) (c) Debenture bonds.

(ix) For both.

(x) The margin of profit should be sufficiently large to ensure against loss.

(xi) That depends upon a detailed survey as to the rate of interest prevailing in each area.

Question 5. This can be estimated by a reference to the Property and Debt Registers kept in each society.

(vi) It is increasing.

(vii) Nothing.

(viii) The local officers should be more humane and sympathetic.

(ix) There are no Kabuli money-lenders this side.

(xi) No use is made of Usurious Loans Act except by a few Judges who have no money-lending business of their own.

(xii) No.

(xiv) Short-term loans for co-operative societies.

(xv) No paddy loan is prevalent in this locality.

(xvii) Everywhere this is taking place and the raiyats are either becoming tenants-at-will or are migrating.

(xiii) It is taking away the incentive to produce more, as can be easily seen from the look of the standing crop of such lands.

Question 6. (i) Most of the agriculturists do not mill their paddy, but where sugarcane is grown they take to gur-making.

(ii) By forming gur-making societies with crushing machines, etc.

(iii) By husking paddy in the paddy areas and by introducing jute spinning and weaving industries in jute areas.

(iv) By inducing the central bank to finance such societies in the areas within their respective jurisdictions.

(v) As above.

Question 7. (iv) There is not much competition.

(vi) There is every necessity of granting financial concessions, etc., as contemplated.

Question 7A. The depositors only on the security of their deposit money.

(ii) It is not desirable.

(iii) No.

(iv) There is no relation between them.

Question 7B. (i) The rate of interest has gone down.

(ii) The professional money-lenders are getting smaller scopes for the investment of their money, i.e., Raipura where there has been an outbreak of rioting and in the Sundarbans.

(iii) There is absolutely no factor against its expansion except that the Provincial Bank cannot use its surplus fund during the slack season. It is therefore necessary that along with the expansion of rural societies and the establishment of central banks in each thana there should be outlets for the surplus money of the Provincial Bank when it is not required by the agriculturists.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) Practically nil.

(iii) Post Office Savings Banks.

(iv) Yes, but very few know and use it.

(v) It can be improved by the agencies of the rural societies where they exist. With such co-operative societies it is impossible to encourage the habit of thrift.

(vi) Nothing except the making of silver and gold ornaments.

Question 2. It is to some extent popular in urban and educated areas. It is not possible to increase its popularity in rural areas.

(iii) The Savings Banks do.

(iv) Wage earners generally and people holding services.

(v) No.

Question 3. (iv) The farmers do lend to the fellow agriculturists but at usurious rates of interest. They keep the money buried under ground. I cannot give any definite information.

Question 4. There is not much cheque habit. If there be any it is negligible.

(ii) It has produced no effect practically.

(iii) Business people. It is very difficult to make it popular with all but with the growth of banks affording facilities for encashments of cheques it is likely to be popular. It is at present only the Imperial Banks that cash cheques but it is done at exorbitant and prohibitive rate of discount, being the monopolists of the business.

Question 5. (i) Yes.

(ii) It is for want of knowledge of the people and want of banks spreading such knowledge.

87.

Mr. Digindranath Banerjee, Director, Jalpaiguri Central Co-operative Bank, Ltd., and Honorary Magistrate, Jalpaiguri.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturists in this district generally obtain financial help from the local jotedars or from local money-lenders and from rural co-operative societies for purposes mentioned in (a), (b),

and (c). In borrowing from the local jotedars and money-lenders they have to draw the amount they require on the security of the lands they hold, the houses they live in, the future crops, and at times even their milch cows, she-buffaloes and bullocks and buffaloes they use for ploughing or carting.

There is another form of loan of food and seed grains which a landlord grants to his adhiars. These are called " Bhuta and Beechan," respectively, the identical quantity of which is deducted from the adhiar's share (moiety share) at the harvesting time. In such cases the quantity advanced does not carry with it the liability to pay interest.

(ii) The rates of interest vary generally from 10 per cent. to 24 per cent. in the town areas and 10 per cent. to 36 per cent. in the rural areas. Occasionally such cases are also found where the rate charged is as high as 50 per cent.

Short-term loans and small loans bear interest at rather high rates. If the creditor has got to undertake risk in addition the rate becomes almost prohibitive, (i.e., it goes above 36 per cent.). If the borrower offers sufficient security, the amount required is not very small, and the period of loan is not less than one year, the rate is invariably very moderate (between 10 per cent. and 15 per cent.).

The conditions, subject to which the loans are granted, are very often found to be very stringent, e.g., in case of failure to repay the loan within the stipulated period the creditor will be free to proceed against the security offered, and in fact the creditor sometimes puts up to auction sale (in execution of decrees passed by courts) the holdings of the agriculturists.

The few co-operative societies that work in the rural areas advance money at the following rates:—

For short terms, 12½ per cent.

For long terms, 15½ to 18½ per cent.

These are advanced mostly on personal security and in the cases of bigger loans both personal and property securities are taken.

(iii) Government does not finance.

Imperial Bank does not finance any agricultural enterprise except advancing money to the tea gardens started and managed by the Europeans.

Joint stock banks advance money against bank deposits, Government promissory notes, shares in joint stock companies, pawn of ornaments and against lands where the tenant has saleable interest in it.

Indigenous banks, bankers, professional money-lenders and similar parties (wholesale purchasers of jute, rice, tobacco, etc.) advance money in the same way as the joint stock banks do and also against crop, but they impose more stringent terms which become even more stringent if they are required to undertake more than ordinary risk.

The co-operative banks are not yet in a position to make heavy advances as they have not yet passed their infant stage. The central bank advanced in 1927-28 only Rs. 36,000 to the different societies affiliated to it. The local co-operative banks cannot undertake financing on extensive scale for some years to come.

(v) The agriculturists are as a rule very backward in point of education. Had they but a little more education and the main principles of the co-operative movement were made clear to them then the co-operative

societies could have got a larger number of members in their rolls and the number of societies would naturally have multiplied. With larger membership and a bigger list of societies and members more cognisant with the principles the system would have worked marvels.

Question 2. (i) The agriculturists sell their crops to actual wholesale dealers or to middlemen or hand over the grains or part of the produce to the money-lender towards payment of debts. As they are in perpetual need of money they cannot stand a bad market (low prices due to over production). If they could afford to hold up their crop for a reasonable time, they would have succeeded in realising a fair price for their produce. Their inability in this respect gives good opportunity to the middlemen or to the wholesale dealers to earn huge profits, a part at least of which would otherwise have gone to the actual producers.

(ii) Such pools, if they could be formed and managed properly, would be very helpful. There are, however, too many dangers and every safeguard should be taken in making it a success from the very beginning.

Co-operative societies with "Dharma-gola" sections should be opened and food stuff and other agricultural produce raised by members should be stocked there till fair prices are obtainable. The producers will be allowed to draw up to 40 per cent. of the fair and probable market value of their crop on the cash credit or similar bases (in one or more instalments). These co-operative societies should have a central sale society to regulate their activities. The central sale society should find the necessary finance by issue of debenture (if necessary) which should bear State guarantee. The central sale society should not be called upon to make any deposits in Treasury in lieu of the debentures during the first three years from the date of issue. The requisite deposit will be made in three to four years' time subsequent to the third year.

(iii) No.

(iv) There is actually no bank backing for agriculture.

(vi) (a) Jute, rice, tobacco, "gur" are the only exports (barring tea) of the district. The banks take little or no interest in financing this export business. The indigenous bankers take a little interest in these matters. The Marwaris are the usual financiers and their charge is very high. The Gujratis have begun to operate at Domar and surrounding places in the Rangpur district, but their business is mainly restricted to "ginger" only.

The export business is managed under great difficulty. The producers are greatly handicapped, the financiers imposing such terms as practically reserve almost the whole profit to the latter.

(b) Vide 2 (i) above.

(vii) Many of the wholesale purchasers are landowners also and their tenants are the actual producers. These landowner-purchasers exert great influence and often purchase the produce at very low rates. The money-lender who advances money against future crop or pays "Dadan" also secures the crops very cheap. The large buyers or other middlemen generally purchase the commodities without any reference to the prices prevailing in the market at the time, and they generally play the "Bear" in purchasing and become the reverse ("Bull") while selling in the larger markets. Thus they generally earn a double

margin of profits (i.e., once in purchasing and next in selling). The actual producers are easily nonplussed by these men who dictate the standard and vary it as they like, as poor cultivators have not got the strength to withhold their produce for any length of time however short. Thus bales of jute of the same standard vary in price from Rs. 32 to Rs. 10 or Rs. 12 within the same twelve months for reasons abovementioned.

Standardisation of quality of crop and bank backing (preferably from co-operative banks) are extremely desirable for minimising the utterly helpless condition of the producers.

Question 3. (i) The value of land in this district varies greatly from locality to locality and also on the basis of classification of soil. In the permanently settled areas the prices are as given below:—

Winter paddy lands, up to Rs. 600 per acre.

Bhadoi paddy lands, up to Rs. 100 per acre.

Lands fit for jute growing, up to Rs. 100 per acre.

Lands fit for tobacco growing, up to Rs. 150 per acre.

Lands fit for rabi crops or cereals, up to Rs. 200 per acre.

In the temporarily-settled areas (Government Khas Mahal of Dooars) the prices for the identical class of soil which are held by the cultivating class is much lower, e.g., first class winter paddy land will fetch in Boom market at most Rs. 300 to Rs. 350 per acre, the usual rate for such lands is Rs. 250 per acre. The rest of the Khas Mahal lands are either grazing Reserves or are utilised by tea planters and Forest Department. Of the lands settled with cultivators those which are fit for tea are sold at rates varying from Rs. 50 to Rs. 250 per acre according to their nature. The lower rates in the Khas Mahal are due to the fact that there are many very stringent rules in the leases of the lands which restrict sale or even mortgage to a very limited class (viz., actual cultivators only), and the purchasers must be persons living within a radius of 5 miles taking the jote as centre.

(ii) In tea areas there may be many buyers, but the tea gardens whose resources are bigger than those of other possible buyers always pay at higher rates than others. These tea gardens even do not ordinarily purchase lands fit for paddy or any other crops. They purchase these lands only when paddy lands contiguous to their tea grants are available and they are compelled to purchase these lands for attracting labourers for their tea gardens. The value of lands in the neighbourhood of tea gardens is higher than in other places where there are no tea gardens. The resources of these parties even are at times exploited by cunning cultivators who thus obtain rather high prices for their lands from tea gardens.

(a) Lands are auctioned free from encumbrances at the revenue sales (Rent Act sales). But as there are so many restrictions to the recognition of tenants only cultivators or the people of the locality alone can bid. The notice of such sales are not published in the local papers. The low publicity of the sales and difficulty in obtaining recognition as tenant from Khas Mahal Department naturally limit the number of intending purchasers.

(b) In permanently-settled areas the court sales under Bengal Tenancy Act fetch fair prices as in these cases encumbrances, if any, can be annulled under provisions of law. In the other cases the prices are often low as there always remains the chance of future litigation.

In particular cases where the number of bidders is large the price fetched is found to be very fair.

(c) See 3 (i) and (ii) above. In these cases the necessity of the seller and purchaser, the number of intending purchasers and nature and class of soil and solvency of the purchaser are the determining factors. Possibilities of future litigation and sale of part of holding are factors which generally lead to a comparatively low prices.

Question 4. (i) The larger part of the district is Government Khas Mahal. There are many legal impediments to the transfer or mortgage of lands in this area. The joint stock or other banks cannot advance money to the cultivators of these areas, for in case of non-realisation they cannot realise their dues by putting the lands to auction sale and taking possession of the lands in execution of court decrees, as the existing Lease Rules (Bengal Tenancy Act is not applicable) does not permit recognition of such parties as tenants. This has naturally made the banks unwilling to give advances to these cultivators.

(ii) If any agriculturist wants to raise money by the sale of his lands the number of intending purchasers will be very few. The right of pre-emption vested in the landlord stands in the way. Very few people like to take the trouble of going through all the formalities of purchasing and still standing the risk of being divested of the land at the sweet will of the landlord. Formerly, the tenants could pay the landlord's fee for recognising the purchaser as tenant two or three years after the actual purchase, but under the present Act the purchaser has got to deposit 20 per cent. of the consideration money as landlord's fee at the time of registration of the deed of conveyance. This means an additional trouble to the intending purchaser and makes new purchases less attractive and has indirectly lowered the price of agricultural holdings.

(iii) The smallness and fragmentation of holdings do not attract big investors.

(iv) There are no land mortgage banks in this district.

(viii) Co-operative land mortgage banks are desirable. All the three methods (a), (b), (c) ought to be taken recourse to, but greater stress ought to be put on "debenture bonds."

(ix) Debenture Bonds should carry Government guarantee for both principal and interest.

(x) Close supervision by inspectors once in every three months should be arranged in order to guard against misapplication of funds or unnecessarily deferred realisation thereof.

Question 5. (iv) Debts are incurred in most places for reasons stated in items (a) to (f) of the questionnaire and in particular cases due to (g) and (i) but it is very seldom due to (h).

(v) In most cases the creditors are the indigenous bankers and professional money-lenders; occasionally, the nearest co-operative society.

(ix) Kabulees are frequently met with. They are both sellers of articles on credit (if cash sale is not possible) and money-lenders. The rate of interest they charge on credit sales or on moneys lent is almost always very high. They seldom go to court. Their big lathis giant-like appearance, and threatening voice and attitude ensure realisation in most cases. Where these do not succeed or where due to continual oppression the villagers combine they take recourse to civil court. There

is a sort of regular Kabuli "zulum" going on in these parts of the province. The interest they charge usually ranges from Rs. 3-2 per cent. per month (i.e., 37½ per cent. per annum) to Rs. 6-4 per cent. per month (i.e., 75 per cent. per annum). It should however be noted that in each case they generally lend small amounts which do not exceed Rs. 100. They have terrorised people indeed too long and the names of some of them (e.g., Late Sahebul Haque) are feared by villagers of Jalpaiguri and portions of Rangpur, Dinajpur and Purneah districts.

(xiv) Loans of seed and food grains should be distributed amongst the agriculturists by co-operative banks (through their "Dharma-gola" sections) and in the matter of stocking seed and food grains the societies should have the help and sympathy of the Agriculture Department of the Government.

They may be allowed to take their requirements (food grain and seed) from "Dharma-gola" sections on payment of interest ranging from 12 per cent. to 18 per cent. per annum or at the ordinary rates of interest charged on cash loans. The quantity lent must be repaid in cash or in kind with interest within 12 months from the date of the loan.

(xv) The rate of interest charged varies from 50 per cent. to 100 per cent. in kind.

(xvi) For rates vide (xv) above. These rates are for one season only and if a loan remains unpaid at the end of the season the interest becomes capitalised till realisation. Ordinary unregistered bonds are the usual instruments for these transactions. The amounts are very often realised amicably but still cases in courts over these transactions are not few in number.

(xvii) Yes.

(xviii) Yes.

Question 6. (i) Formerly several grazing coups were thrown open for grazing purposes every year in Government reserve forests in the localities where dairy farming was carried on, but in recent years grazing coups have been stopped. This has practically stopped dairy farming in this district. The only instances of dairy farming (very few in number) are to be found in the Baikunthapur Forest Reserve (belonging to the Raikut of Baikunthapur).

"Gur-making" is still prevalent in certain places of the Chaklajat Estates (particularly in Boda area) of His Highness the Maharaja of Cooch Behar.

(ii) "Dairy Farming" can be revived on decent scale if the system of "Grazing Coups" in the Government Forest Reserve is revived. This certainly will not cause any serious loss to the Government, but will mean a lot of good to the people—people who will get a living thereby or will earn a profit in the business, and people who will have larger supplies of milk, butter and ghee.

(iii) Basket-making for tea factories and ordinary market requirements; oil pressing, which will give larger supply of oil and oil cakes (the latter will be used as manure for tea gardens and other cultivation and also as food for cattle); and weaving, which will supply the poor people with home-made clothes and napkins. These, if properly managed, will increase the earning of the poor and make their necessities more easily available. All these enterprises may best be managed on the co-operative principle.

"Silk weaving or Endi-making" in parts of Jalpaiguri (done mainly by the Garo and Mech tribes) and in the Darjeeling (done by the hillmen) was a prosperous business. With the reclamation of the forest areas for agricultural and other purposes the Garos and Meches have left the district and with their departure the industry has practically disappeared in spite of the fact that the stuff used to be both cheap and durable. This district is a fit place for the industry and if it can be revived it will add to the existing avenues of earning and help the poor agricultural classes, who can pursue it whenever they have time to spare, to reduce their indebtedness.

Cutlery—A very good market can be created for this business. The tea gardens will be able to help this industry.

Pottery—It is almost unknown. If it is taken up it will flourish and those who take to it will be able to make good profit by selling their articles cheaper than their competitors who will go on importing as at present.

Brass and bell-metal—Pachagor area was once the centre and did a large volume of business. Its revival will do a lot of good.

Market gardening—The local produce is too inadequate for the requirements of the town even, which leads to prohibitive prices. This work can be taken up and good results may be attained very easily.

Question 6A. (i) These are managed by the share capitals raised and, if possible, by the mortgage of all their assets—factory, plant and machinery. If these require more money than can be raised thus, and they do not get it, they have to close down. It is for these reasons that the Silpa Samiti (a cotton mill), Aurora Match Factory and the Jalpaiguri Industries, Ltd., (another match factory) had to close their business.

Question 6B. (i) Day labourers, fishermen and small traders generally have no facility for obtaining loans, but for small sums they get short term credit from the people under whom they work. If they want to borrow rather big sums or if the loan is expected to remain unpaid for more than a year they are very often required to offer their homestead even as security.

Middle-class gentlemen generally have some credit with the money-lenders and joint-stock banks but if the loans remain outstanding beyond one year they also are required to furnish security. The service holders have got their co-operative bank from which they can borrow money in case of need.

(ii) Earning of cultivators as also of the middle-class gentry is scarcely sufficient for meeting all their daily needs. The additional expenses on social ceremonies (e.g., Sradh of a deceased member in the family, sister's or daughter's marriage), medical attendance, education expenses, litigation over property, etc., generally cause debts.

The rate of interest in the *joint stock banks* varies between 12 per cent. to 18 per cent. per annum on unsecured loans and 9 per cent. to 12 per cent. per annum on secured loans and the rates of interest charged by the *co-operative banks* ranges between $12\frac{1}{2}$ per cent. to $18\frac{1}{2}$ per cent. per annum. These loans are granted on personal security, but in the cases of bigger loans mortgage is insisted upon in addition to personal security. The *indigenous bankers* charge at rates which are most convenient to themselves. They generally charge from 15 per cent. to 36 per cent. per annum on unsecured loans and up to 24 per cent. per

annum on secured loans. They raise the rates abruptly with the greater tightness of the money market but do not lower the rates so easily when the market gets easier..

(iii) *Government* is not helping in the least. The *co-operative banks* are helping its members but inadequacy of funds and want of effective propaganda work has handicapped the movement greatly and the people are not getting any appreciable help from these banks.

Joint stock banks are rendering the greatest aid in the matter by offering loan at comparatively low rates, but they cannot cope with the demand of the people, their funds being inadequate for the purpose.

The indigenous banks are also doing some service. They have become a sort of necessary evil to the society in as much as they supply the requisite money (though at usurious rates) which in the present state of the country would not otherwise have been available.

The remedies (so far as this district is concerned) lies in the success of the co-operative movement and in relaxation of the stringent lease rules so that men may offer lands they own as security for the amount they want to borrow. A regular network of co-operative societies throughout the district with officers to carry on regular propaganda work to enlighten the rural people as to the principles of the movement must be arranged if success is wanted.

(iv) The general indebtedness of the classes appears to be on the increase.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) (i) Imperial Bank of India.

(ii) Arya Bank, Ltd.

(iii) Bengal Dooars Bank, Ltd.

(iv) Jalpaiguri Town Bank, Ltd.

(v) Jotedar's Banking and Trading Corporation, Ltd.

(vi) Jalpaiguri Banking and Trading Corporation, Ltd.

(vii) Jalpaiguri Lakshmi Bank, Ltd.

(viii) Raikut Industrial Bank, Ltd.

(ix) Union Loan Office, Ltd.

Question 2. (a) Highest paid up capital is Rs. 3,04,184 in the case of the Raikut Industrial Bank, Limited, Jalpaiguri.

(b) Highest reserve fund is Rs. 7,36,966-4-7 in the case of the Jalpaiguri Banking and Trading Corporation, Ltd.

(c) Such deposits are not allowed in any bank except the Imperial Bank.

Question 3. (i) and (ii) Rates of interest prevalent in the local joint stock banks are as stated below:—

(a) Savings bank deposits, $3\frac{1}{2}$ per cent. to $3\frac{1}{2}$ per cent. per annum.

(b) Current account, $2\frac{1}{2}$ per cent. to 3 per cent. per annum.

(c) Half-yearly deposits, $4\frac{1}{2}$ per cent. to 5 per cent. per annum.

(d) Annual deposits, 6 per cent. to 7 per cent. per annum.

(e) One-and-half year's deposits, 7 per cent. per annum.

(f) Two years deposits, 7 per cent. to 8 per cent. per annum.

(g) Over two years deposits, 8 per cent. per annum.

(h) Special deposits, 6 to 9 per cent. per annum.

Question 4. (c) Money is advanced to industrial concerns at 8 per cent. to 9 per cent. per annum by joint stock banks.

Question 7. (i) The Jalpaiguri Banking and Trading Corporation, Limited, has got a big trading department which deals in piece-goods, stationery, hardware, tea garden stores and machineries, etc.

Question 9. (ii) Uniformity in the system of accounting and balance sheets in all banks is not necessary. All that is necessary is that the accounts should be kept properly and correctly and the balance sheets should be drawn up accurately. Closer supervision by the office of the Registrar of Joint Stock Companies in the case of the joint stock banks and from the office of the Registrar or Deputy Registrar of the co-operative societies in the case of the co-operative banks is necessary. Each bank should be allowed to continue to keep its accounts and prepare its balance sheet in the way it does in order to maintain continuity (which will thus be easily maintained) so long as the method of keeping these does not infringe with any provision of law and the papers concerned are prepared accurately.

Question 10. The banks may be federated into central banks. There should be as many central banks as possible. There should be one or two for each division (e.g., there may be one for Darjeeling, Jalpaiguri, Rangpur and Dinajpur and another for Malda, Rajshahi, Bogra and Pabna).

The Imperial Bank or such other banks (clearing houses) should not be allowed to join. The object of such federation should be utilising the surplus deposits in the banks of one district in the neighbouring district. If the Imperial Bank or such bigger banks with branches are allowed to join they will divert the money easily from one district to some other remote district. If this is permitted then there will always remain the danger of inadequate finance to the local industries, the removal of which ought to be the object of the local federations proposed.

88.

Mr. Jagadish Prasad Basu, Secretary, Hooghly Central Co-operative Bank, Chinsurah (Hooghly).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturist in our district obtains finance under heads (a), (b) and (c) chiefly from mahajans and professional moneylenders. Only in those areas where co-operative societies have been established they are financed by those institutions.

(ii) Varying rates of interest, 12 per cent. per annum to 37½ per cent. are charged on advances given by these moneylenders. Very often compound interest, at 12 per cent. per annum with yearly or half-yearly rests, is charged. The security generally offered is landed property. Standing crops are sometimes hypothecated, generally in cases of advances on jute.

The usual rates of interest, charged by co-operative societies, vary from 12 per cent. per annum to 18 per cent. per annum simple interest. Loans are advanced on simple money-bonds in which one or two co-members of the Society have to join as sureties and the instalments fixed for repayments generally synchronise with the harvesting of crops.

It is difficult to give such an estimate with anything like precision, but the proportion of unsecured advances to secured ones would be 3 to 1.

(iii) So far as my information goes, the Imperial Bank of India, the Joint Stock Banks and the Indigenous Banks do not grant advance in any shape to the agriculturists. The Government grants advances, which are known as takavi loans, in times of distress. In rare cases advances are made under Agriculturists' Loans Act. Besides these, the Government does not, as a rule, give any advances to cultivators.

It is only the rural co-operative banks which play an important part in this direction. As a matter of fact, the avowed object of these institutions is to give relief to the agriculturists.

(iv) No.

(v) The number of co-operative societies, which is still far from adequate, should be increased so as to embrace the entire country. Their activities are confined to the grant of short term loans only, which does not go far enough. The scope must be widened and their activities must be expanded in other directions. Arrangements for long term loans, by the establishment of land mortgage banks must also be made.

(vi) There is practically no co-ordination and there is ample scope for improvement in that direction.

Question 2. (i) The raiyat takes the crops to the market place and sells them. In case of paddy, they frequently take them to the nearest rice-mill and sell them and in case of jute, the dealers sometimes go to the villagers and purchase them.

As a general rule, the raiyat is unable to hold up his crop for a better price. Their want and extreme poverty are the principal causes.

(ii) The possibilities are indeed very great and the organisation of sale and supply societies in large numbers is greatly to be desired.

(iii) There is only one such society in our district at present and two or three are in the process of formation. It is constituted on share basis and is of limited liability type. It is affiliated to the Central Bank, which grants loans required for cultivation. So far no difficulty has been experienced, but with the formation of more societies of this type difficulties may arise, and to remove them a central sale and supply society may have to be brought into existence.

Question 3. (i) Value of paddy land per acre is Rs. 150 to Rs. 300. Value of potato land per acre is Rs. 300 to Rs. 600.

(ii) The yield and the price of crops affect the value of lands.

Question 4. (i) At present there are none.

(ii) The Act has been in operation for too short a period to enable any opinion to be formed.

(iii) To a large extent. The smallness of the holdings diminishes the intrinsic value thereof and also prejudicially affect the yield of crops.

(iv) None in our district; it is reported that efforts are being made to start such banks in some parts of the province.

(v) For the foregoing reasons, practical experience of working of these banks is not available.

(vi) and (vii) No particular suggestions to offer.

(viii) From deposits and debenture bonds.

(ix) For both principal and interest.

(x) Careful supervision and audit.

(xi) Advances not exceeding one-half of the value of the land mortgaged should be made and the valuation should be made very carefully.

(xii) No, not at present.

Question 5. (i) Rs. 200 on an average per head would, in my opinion, be a rough estimate of the indebtedness of the agriculturists of our district.

(ii) It may be safely assumed that 90 per cent. of the agriculturists of our country are in a chronic state of indebtedness. We can get an approximate idea of the number of agriculturists from the census figures. It may also be taken for granted that Rs. 200 represents the average debt of an agriculturist. From these data the total amount of indebtedness may be calculated.

(iii) It is difficult to lay down such an estimate but the proportion of (a) to (b) may be taken to be 1 to 4.

(iv) It is difficult to make allocation to these different headings, but one more item may be added to this list. It is "medical expenses and loss due to illness."

(v) In this respect professional moneylenders come first, co-operative societies and other creditors come afterwards.

(vi) In my opinion, it is increasing.

(vii) Little use is made of these Acts in our part of the district; consequently they do not meet the needs of the agriculturists.

(ix) In large numbers. Their method of work is more or less uniform everywhere and is too well-known to require recapitulation. Formerly, they used to advance money to people without any document and realise their dues the following year by sheer intimidation. Now they generally advance money on pro notes which they keep printed in bound books. They realise interest at exorbitant rates, but never permit the payments of interest or repayment of principal to be inserted on those instruments.

(xi) Not much. The limitations imposed in section of the Act tend to diminish the utility of the Act as a weapon of defence for the debtors. In my opinion, those limitations should be done away with and it should be enacted that whenever it appears to the Court that the rate of interest stipulated is excessive and higher than prevailing rate, relief is to be given. Prevailing rates for particular localities should be notified in the Gazette just as value of staple crops are announced in the Gazette under the provisions of the Bengal Tenancy Act. Besides, the law of Damdupat should be incorporated in the Act.

(xii) No.

(xiii) Yes, that is often done.

(xiv) By the starting of dharmagolas and seed stores on co-operative basis in every village.

(xv) 25 per cent. per annum.

(xvi) Interest is generally calculated month to month and sometimes day to day.

(xvii) Yes.

(xviii) Undoubtedly so.

Question 6. (i) Different kinds of subsidiary industries, allied to agriculture, exist in different parts of the country, but they are more or less in moribund condition.

Different factors come into play and bring about this condition. They are—

(a) lack of capital and initiative,

(b) want of general education and of sound technical knowledge,

(c) unhealthiness of climate and consequent loss of man power,

(d) indebtedness,

(e) want of organisation for supply of raw-materials.

(ii) All methods aiming at remedying the above defects will have the desired effect.

(iii) Yes.

(iv) and (v) Co-operative industrial societies.

Question 6A. (i) They are mostly formed on the basis of joint stock companies.

(ii) The shares of such companies will be readily subscribed if these companies can secure State aid in some form or other.

Question 6B. (i) There are practically no such facilities.

(ii) They generally borrow either to finance their business or else to meet the expenses and liabilities incidental to domestic affairs, such as house-building, marriage, or sradh expenses.

(iii) The Government have no share in helping them. They get loans from urban banks or joint stock banks where they exist. The urban banks cannot advance more than Rs. 1,000 to any one member. The limit should be raised.

(iv) Yes.

Question 7. (i) There is practically no co-ordination amongst the different types of banking institutions named in the question. During the recent years, the Imperial Bank of India has agreed to grant cash credit to central banks on the security of the promotes executed in its favour by constituent societies.

(ii) The difficulties are many. Their scope is limited and their work is circumscribed and hedged in by many restrictions. Co-operative societies practically do not grant long term loans.

(iii) It is difficult to give an estimate, but for a full and proper development of the movement in this district nearly a crore would be required.

(iv) I do not think there is any such competition.

(v) Does not arise.

(vi) I think the grant of the concessions mentioned in the question are necessary for stimulation of the movement.

Question 7A. (i) Not to individual members, but advances may be given to those who have fixed deposits in the Bank against their deposits.

(ii) Yes, to a limited extent.

(iii) Yes, to a limited extent.

(iv) At present they do not help one another in any way.

(v) Ordinary banking business may be undertaken by the central banks without infringing the provisions of the Co-operative Societies Act.

Question 7B. (i) The effect has been to lower the rate of interest.

(ii) Professional moneylenders are gradually being displaced in localities where co-operative societies have been working.

(iii) Ignorance, poverty, disease, low outturn of crops due to various causes.

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Mr. Probodh Chandra Sanyal, Honorary Secretary, Rajshahi Co-operative Town Bank, Ltd., Rajshahi.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i), (a), (b) and (c) From the village money-lenders, landlords, co-operative rural societies and in some cases from joint stock banks and Marwari lenders.

(ii) The rates of interest charged by money-lenders in my district vary generally from $6\frac{1}{4}$ per cent. per mensem to Re. 1-9 per cent. per mensem, by the joint stock banks from Rs. 3-2 per cent. per mensem to Re. 1 per cent. per mensem, and by co-operative societies from $12\frac{1}{2}$ per cent. to 15 per cent. per annum. The loans are to be repaid within 3 years. Mortgages are generally taken by joint stock banks and money-lenders in most cases, and in such cases compound interest is charged if the interest is not regularly paid within 1 year or 6 months, as the contract may be. Village money-lenders also generally take usufructuary mortgage or take a deed of mortgage by conditional sale. In my estimate only about 25 per cent. of such debts are secured.

(iii) Government only advances loans during times of extreme distress such as flood or famine.

The joint stock banks finance agriculturists to a small extent, as there are no such banks in the interior.

Co-operative banks' business in this respect is also small, as honest and more solvent cultivators or agriculturists do not like and rather fear to be members of societies with unlimited liabilities. It is, for this reason, that the unlimited liability societies cannot give much benefit to the general body of agriculturists.

Co-operative credit banks with limited liabilities, if established in prosperous villages throughout the district and the province, can really give much relief to the agriculturists.

So, it is the professional money-lenders, merchants and dealers who derive the largest benefit by lending money at exorbitant rates of interest. Some landlords also advance money to the tenants at Rs. 3-2 to Re. 1-8 per cent. per month.

There are some indigenous bankers in the district. They also charge interest at the above rate with annual rests. Some of them lend money with a view to acquire the land of the cultivators.

(iv) Assuming there are 1,000 villages in a district, at least 50 lakhs will be required to start with for the various purposes mentioned.

(v) The defects are stated above and they are mainly due to the exorbitant rates of interest charged and to the non-existence of co-operative banks with limited liabilities in the villages. This may be remedied by starting co-operative banks of the urban type, allowing well-conducted town banks to lend money to agriculturists outside the present limits of their operation at not more than 12 per cent. per annum, simple interest, and also by reducing the general rate of interests by legislation.

(vi) In my opinion there is no such co-ordination among the various agencies. Certainly there is scope for improvement in that direction.

Question 2.—(i) The raiyat generally sells his crops in the adjacent hats. Big jotedars sometimes come to the town to obtain better price.

Generally, the raiyat is unable to hold up his crop for a better price. The reason is his poverty and the rush of demands made by the creditors and landlords for their dues and rent and also his dire necessity to provide himself with the bare necessities of life.

(ii) There are great possibilities for co-operative efforts in marketing produce, if this can be managed by efficient and honest people.

(iii) Yes. As far as I know, there are only jute sale and supply societies in my district. There is one Ganja Cultivators' Co-operative Society at Naogaon. But that is a special thing.

They are linked to a central organisation.

At present they are financed by the Bengal Provincial Co-operative Bank, Ltd.

I don't think they experience any difficulty in obtaining sufficient funds.

(iv) Facilities required for financing the marketing of produce is to establish store-houses and to allow the agriculturists to have advances to a certain percentage of the value of the produce stored there from co-operative banks.

(v) Yes.

(vi) (a) In our district, so far as I know, the banks do not play any part except in the case of jute.

The merchants and dealers purchase the produce in local hats, mokams, etc., and often they advance money to the producers by settling beforehand the price per maund, which is far below the market value. Generally 30 to 45 days' credit is given to big merchants and these in their turn lend to small dealers to be repaid within the year, with interest

at 12 per cent. per annum. If not cleared within the month of Chaitra, the balance of the principal and interest due is added together and interest runs on the whole amount at the above rate. The dealers also borrow from Marwari money-lenders at 12 per cent. per annum compound interest. The dealers and shop-keepers also have to sell on credit and they often become defaulters and get involved in debts. This difficulty may to a great extent be removed if co-operative town banks lend money to the dealers and shop-keepers at 9½ per cent. per annum on cash credit system. We have introduced this system in our Bank and the system is gaining in popularity.

(b) The merchants at the ports send goods on requisition to the local merchants of the town or to their own agents, if any, and these local merchants in their turn make out the goods to the dealers or the beparies or shop-keepers, who deal with the actual consumers.

Yes, to a certain extent. This is especially so in case of jute.

[My views to ensure a better return to the growers of produce are given in reply to question 2 (ii and iv).]

(vii) Yes, to a certain extent it may be so. If ample banking facilities be provided, the evil of monopoly can to a great extent be counteracted.

Want of definite standard of quality is often the case with jute.

(viii) The existing facilities for internal remittance available to the public including banks and bankers are remittance through the Government Treasury, Imperial Bank and co-operative banks, besides by money orders and insured letters through the Post Office. The latter entails much cost. Some remittances are also made by hundies through Marwari firms and big mahajans who have their gadis or agents in Calcutta or other trade centres. Where there are no branches of the Imperial Bank, people can remit money at a nominal cost through big co-operative town banks and co-operative central banks by means of drafts on the Bengal Provincial Co-operative Bank. We have introduced this system here in Rajshahi and that has grown very popular.

(ix) The public in general do not and cannot avail themselves of the facility offered by Remittance Transfer Receipts issued by the Government Treasuries in district headquarters, for various reasons and for the trouble and delay involved.

As regards the hundi system through big merchants and firms, the people in general have not much confidence in them. Only hundi business of their debtors are carried through them.

As to joint stock banks also, the people have, after the failure of the Bengal National Bank and some other banks, lost much faith in these institutions.

As to the Imperial Bank, people are not received with much courtesy as is expected from the officers of the Bank.

So, the people in general are very eager to come to the co-operative banks where draft business is carried on, because of the uniform courtesy of the officers concerned, and also because it is easy to approach the Honorary Secretaries and Chairman for removal of grievance, if there be any. Remittance facilities may be greatly improved if the Government, by circular, directs every Treasury Officer to receive any amount of money and as often in a week as may be necessary tendered by any Co-operative Bank or Society. free of cost as now, to any Treasury or

Sub-treasury and issue a Remittance Transfer Receipt upon the Imperial Bank in Calcutta or any other places and upon any other Treasury or Sub-treasury whether within the province or outside the same i.e., in any place in British India and Burma. In the next place, I would suggest that the money order commission and postal insurance fee be reduced by at least half in the case of co-operative societies remitting money from and to rural areas where there are no Treasury or Sub-treasury. Otherwise the rural societies feel much inconvenience and trouble and often run a great risk in the matter of transmission of money from and to the Central Banks to which they are affiliated.

The reduction of the rate of commission for Remittance Transfer Receipts on sums above Rs. 5,000 in favour of Joint Stock Banks.

Allowing the village societies to open another Postal Savings Bank account with the Post Office at headquarters and freely allowing them to direct the transfer of their money deposited in the village Postal Savings Bank to that in the headquarters to be withdrawn by the Central Bank acting as a messenger.

(x) Merchants and big traders in sending goods to mufassal customers through a banker send the invoice and railway receipt and a draft (Bill of Exchange) for the amount due to be paid at a month's sight or more, as the case may be, and the bill is sometimes drawn in sets of two to give more time to the customer who has to accept it to take delivery of the invoice and railway receipt.

Payment by cheques and drafts.—We have introduced this system here and it is very popular.

(xi) Yes. If the stamp duty on bills of exchange is reduced to the scale chargeable on promissory notes it would be very popular and would be used extensively. Now the duty is sometimes evaded. If so, much reduction is not possible, it ought to be reduced by one-half at least.

(xii) Hundies issued by and upon indigenous bankers and big merchants in Indian languages at sight or otherwise. Drafts or Bills of Exchange at sight, on demand, or on maturity, i.e., after the period of grace allowed (usually one to three months' sight).

(xiii) I think so.

(xiv) At least drafts of co-operative banks are being discounted to a certain extent, through the co-operative banks.

(xv) Only railway and steamer receipts, so far as we know.

(xvi) No.

(xvii) I think it would be appreciated.

(xviii) Yes.

Question 3.—(i) Amon (transplanted) paddy lands—Rs. 75 to Rs. 150 per acre.

Boro paddy lands—Rs. 150 to Rs. 300 per acre.

Lands producing 2 or more crops—Rs. 75 to Rs. 150 per acre.

(ii) It is only in cases of (c) that lands fetch the highest value. The next in rank comes court sale for execution of rent decrees.

In case (b), it often fetches the least value.

Question 4.—(i) No.

(ii) They are now free to borrow to any extent by mortgaging their holdings.

(iii) Not to any appreciable extent. Specially as the new Bengal Tenancy Act allows also sale of a part of the holding.

(iv) There is one at Naogaon in this district.

(v) I do not know anything about that Bank.

(vi) (a) A Provincial Land Mortgage Bank may be established in Calcutta with a big capital to be raised by selling shares and by loans from Government at a low rate of interest not exceeding 4 per cent. per annum. The Bank may also raise working capital by accepting long term deposits and by issuing Cash Certificates. Such a Bank can give great relief to the landlords who are heavily involved by lending money to them on mortgage for a period of at least 10 years on easy quarterly or monthly instalments at a rate of interest varying from $7\frac{1}{2}$ to 9 per cent. per annum. It should be a limited liability Bank.

The well-managed co-operative town banks may also act as branches of the said Provincial Bank.

(b) Agricultural Banks with limited liability may be established in prosperous villages for giving loans to agriculturists on mortgage and also with one or two sureties for a period of 5 to 10 years on easy quarterly instalments at $9\frac{3}{4}$ per cent. per annum.

(vii) (a) The record-of-rights, as it stands, is sufficiently clear and unambiguous.

(b) No.

(c) Banks should be allowed to inspect the record-of-rights on payment of a fee of annas 8 and co-operative banks should be allowed to inspect free of charge.

Co-operative banks should be allowed to inspect the records of a registration office free of charge and other Banks at a fee of Re. 1 only.

In suits instituted by co-operative banks summons should be served by registered post and attachment and sale proclamation should be issued simultaneously and notices to show cause why execution should not be issued for settlement of the terms of sale proclamation should be dispensed with.

(viii) See answer to question No. (vi) above.

(ix) Yes, both.

(x) Strict supervision and audit and power to take management at once if management unsatisfactory and power to direct the deposit of surplus cash balance in approved banks.

(xi) At $4\frac{1}{2}$ per cent. interest with Government guarantee and at $5\frac{1}{2}$ per cent. without any such guarantee. They should lend at from $7\frac{1}{2}$ per cent. to $9\frac{3}{4}$ per cent. interest.

(xii) Yes.

(xiii) Well-managed and approved co-operative town banks may grant long-term loans against sound security, if they are allowed to issue Cash Certificates and debentures on Government guarantee, or if they can get loans from Government or Imperial Bank at 5 per cent. interest.

Question 5.—Not necessarily.

(i) No.

(ii) Not practicable, and if tried, it would take 5 to 10 years' time and unnecessary expenses.

(iii) and (iv) No reply necessary in the above view.

(v) The largest amount is due to the professional money-lenders, then come the joint stock banks and co-operative societies, then landlords, and last of all, Government.

(vi) Credit is certainly increasing, but it is very difficult to say whether at the same time indebtedness is decreasing.

(vii) Can't say anything.

(viii) No.

(ix) Kabulis are to be found here, but they do not lend cash money. They sell winter clothes on credit at excessively high prices to villagers on unlimited liability principle, and if not paid amicably, a suit is instituted jointly against all the debtors of a village, summons is taken out and in collusion with civil court peons the whole amount is demanded from every defendant, and by show of big lathies double or triple the amount of the claim is realised.

(x) $6\frac{1}{2}$ per cent. per month compound interest with quarterly or six-monthly rest.

A debt of Rs. 10 accumulated to Rs. 10,500 and a suit instituted for Rs. 1,000 after relinquishing the balance as being unrealisable.

Two milkmen of this locality stood as surety on unlimited liability system to a mortgage loan of Rs. 100 taken by another milkman agreeing to pay interest at 5 per cent. per mensem, and over and above, to supply milk at the rate of 5 seers a day as additional interest until the loan was fully satisfied. It was also a term of the bond that no concession would be allowed regarding supply of milk, for any part payment of the loan. The principal debtor having absconded shortly after taking the loan, the poor sureties had to supply milk for about 5 years. They had also paid a considerable sum as interest (in cash) of the loan. At last the matter was brought to the notice of this Bank. The two sureties were then granted loans to the extent of Rs. 100 each at $9\frac{3}{4}$ per cent. per annum, with easy instalments. Both of them satisfied the loan within a short time, and much earlier than the stipulated time.

Where the intention is to take the property of the mortgager, it is made to last for 12 years before suit and 12 years after decree.

(xi) The Courts are very unwilling to grant relief under the Usurious Loans Act. The High Court should issue strict orders to give effect to the Act even in ex parte cases and there should be strict supervision whether the order is being obeyed in all cases and the Court below should state in the monthly or quarterly returns in how many cases they have applied the Act.

There should be provision also in the Act that the interest should in no case exceed the principal.

(xii) No, but generally compound interest is not allowed in cases of unsecured loans by Small Cause Courts.

(xiii) Yes, in some cases.

(xiv) Through Government agricultural farms.

(xv) One and a half times to twice the quantity lent with annual rest.

(xvi) Generally private professional money-lenders in calculating interest take the part of a month also as a full month. Payment is enforced through Courts, if not paid amicably.

(xvii) Yes.

(xviii) Yes, to a great extent where there are not enough cultivators.

Question 6.—(iii) Spinning, rope-making, basket-making, gunny-making and acting as a small shop-keeper at local huts, e.g., selling tobacco, etc.

(iv) and (v) Very small capital is necessary for such purposes and co-operative banks can very well supply such capital.

Question 6B.—(i) Co-operative town banks, joint stock banks and professional and other private money-lenders.

(ii) For purchasing jute, building houses, marriage of daughters and sons, for capital required to open a shop or trade, to repay old debts at higher rates of interest and sometimes for the purpose of maintaining the members and family when in want.

The town co-operative banks lend money here at 9½ per cent. per annum and at 12½ per cent. per annum for defaulters in the case of both secured and unsecured loans.

The joint stock banks lend money at 24 per cent. to 12 per cent. interest on unsecured loans up to Rs. 3,000 and at annas 14 per month on loans above Rs. 3,000 generally, and at Rs. 12 per cent. to 9 per cent. on secured loans with annual rest.

The rate is the same with private money-lenders.

(iii) I am not aware of any Government help. The co-operative banks of the urban type are doing very useful work in giving them relief in times of necessity and in enabling them to improve their financial condition and live comfortably. If the joint stock banks can be made to lower their rate of interest they would also be very popular.

If co-operative town banks can get money at 5 per cent. per annum, they can further lower the rate of interest on loans and give much greater relief.

The opening of cash credit with business men and traders would give them better financial facilities. We have introduced such system and it is gaining popularity.

(iv) It is not perhaps on the increase. Our members are certainly improving their condition and gaining in credit.

Question 7.—(i) So far as I know, good relations exist between co-operative banks and the Imperial Bank of India and in our quarter, there is no ill-feeling between joint stock banks and co-operative banks. All the banks have so far helped each other with deposits in times of difficulty. Co-operative banks have deposits in the joint stock banks and the latter have also deposits in the former banks. Indigenous bankers also have confidence in co-operative banks as they often keep large deposits with the co-operative banks and not with joint stock banks.

(ii) There is not much difficulty in the matter of short time capital, as deposits up to 4 years are easily available. The difficulty is as regards the high rate of interest, viz., 7½ per cent., for such deposits, and in our district even current deposits are not available at less than 3½ per cent. per annum.

As regards long-term capital, we have opened provident fund deposits for periods ranging from 5 to 30 years at 6½ per cent. per annum compound interest, but the amount available up to the present time is not much though it is gradually increasing.

If capital can be had at a lower rate of interest for long term as well as short term, much relief can be granted to the people by lending them at a lower rate of interest.

(iii) In my estimate an extra capital of 30 to 50 lakhs is required for financing the co-operative movement in our district provided it is organised on a sound basis so as to be really helpful to the people.

(iv) and (v) No, except in the matter of interests on deposits the joint stock banks are now mostly giving much higher rate of interest on deposits to attract capital.

(vi) Yes. I want all the concessions noted and besides, I suggest the Government should freely allow and encourage all co-operative banks and societies to send any money free of cost through Treasuries and Sub-treasuries and reduce also the money-order commission for village banks and societies to one anna per hundred, subject to a minimum of two annas and a maximum of Rs. 2 and also allow a sum up to Rs. 5,000 to be remitted by a single money-order. The limit may be lesser in case of village Branch Post Office.

I would also suggest that the Imperial Bank of India and its branches should give every facility for inter-district or inter-province remittances of money by co-operative banks free of cost.

These concessions, if granted, will certainly make the co-operative banks very popular with merchants, traders, and other men of business who have to transact their business in several places and will at the same time attract capital in the shape of big deposits from these people.

I would further suggest that approved co-operative central or town banks be also granted the concession of issuing Sola bills, like the Imperial Bank of India, which may be encashed in any Treasury within the province, provided the banks so approved always keep, as a condition precedent, a decent amount, say, at least Rs. 10,000, with the Imperial Bank in Calcutta or in any of its branches. The limit of such Sola bills should not exceed Rs. 5,000 at a time.

Facilities for inter-provincial remittances through the Co-operative Banks should also be introduced.

The Bengal Provincial Co-operative Bank, Ltd., and some other well-managed central and town co-operative banks should be allowed to open cash credit accounts for any amount, which to them may appear proper at the time, with big Government and Railway contractors, on condition of their agreeing to have all payments due to them being paid by cheques granted in favour of such co-operative banks and not directly to the contractors.

Question 7A.—(i) Certainly not, if there is a co-operative town bank there, as that would be usurping the function of the town bank. The interest of the town bank would then suffer and its growth and development would be retarded. That would also lead to an unhealthy competition between two co-operative institutions. This should never be allowed in the best interests of the co-operative movement.

Where there is no co-operative town bank, this may be allowed for a limited time only, i.e., until a town bank is started. Where there is one, the central bank should never be allowed to grant loan within the area of operation of the town bank.

(ii) Yes.

(iii) Yes.

(iv) The relations between co-operative societies and the joint stock banks and loan offices are not always unfriendly. It often happens that the shareholders and depositors are common and the debtors also are sometimes common. Each assists the other by giving informations confidently regarding the credit of a borrower or intending borrower and they also help each other with deposits when necessary.

(v) Well-managed co-operative central banks and town banks are quite fit to undertake such banking business and this does not in any way infringe the provisions of the Co-operative Societies Act. In fact, many of the well-managed banks are doing such business successfully.

Question 7B.—(i) Unfortunately the rural co-operative societies, constituted as they are, have not been able to produce any effect as regards the reduction of the rates of interest on both the kinds of loan mentioned.

(ii) In town areas the co-operative town banks and the joint stock banks together are replacing to a great extent the professional money-lenders.

For instance, in the town of Rajshahi the Marwari firms, which formerly acted mainly as bankers, have now practically ceased to act as such, and have taken to other business. People also prefer always to approach the banks first for a loan.

(iii) Want of organised and continuous propaganda work in the rural area and, as I have already stated, the theory of unlimited liability are the main factors. It may also be said that these rural banks are mostly not managed by competent persons. Want of well-organised banks of the urban type in all district and subdivisional headquarters and important trade centres and prosperous villages.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—(a) The Rajshahi Banking and Trading Corporation, Ltd; the Peoples' Bank, Ltd; the Lakshmi Bank, Ltd; the City Bank, Ltd; the Industrial Bank, Ltd; the Bank and Rice Mill, Ltd; the Kamala Bank, Ltd; the Talanda Banking and Trading Corporation, Ltd; the Belgharia Commerce, Ltd; the Chitragupta Bank, Ltd. (in liquidation).

(b) Some 4 or 5 banks in each of the subdivisional headquarters at Nator and Naogaon.

(c) I think some 4 or 5 banks in village areas of the districts.

Question 3.—(i) and (ii) Current deposit—From Rs. 3½ to Rs. 4½ per cent. per annum.

Six monthly deposit—Annas 6 per cent. per month.

One yearly deposit—From Rs. 6 to Rs. 7 per cent. per annum.

Two yearly deposit—From Rs. 7½ to Rs. 8 per cent. per annum.

Five yearly deposit—Rs. 9 per cent. per annum.

Question 4.—(c) and (f) Practically nil.

Question 5.—(i) In simple bonds and mortgage bonds a period of repayment is formally written, but the period allowed by the law of limitation is practically the period for which loans are granted:—

Rates of interest—

On Pronotes and bonds—From annas 14 to Rs. 3-2 per cent. per annum.

On mortgage—From annas 14 to Re. 1-8.

On pledge of ornaments—From annas 12 to Re. 1.

On pledge of fixed deposits—Annas 12.

(ii) Compound interest is charged in bonds and mortgage bonds. Rests quarterly to annual.

It is levied or added to the principal if not paid quarterly, six monthly or annually, according to the stipulation.

(iii) Yes, in most of the Banks.

(iv) No special step except demand and institution of suits in bad cases.

Question 6.—(i) Yes, generally on mortgage and that also in only a few cases a year.

(ii) No.

Question 7.—(i) No.

(ii) The difficulty of transmitting money to Calcutta as often as is required.

Question 8.—(i) Generally 25 per cent. or a little more.

Some invest it in Government Promissory Notes or in fixed deposit with some other Bank and many do not invest it separately.

(ii) Generally 20 to 30 per cent., as far as I am aware.

Question 9.—(i) Accounts are kept in Bengali.

(ii) Yes.

Question 10.—This ought to be done in the interests of the Banks and their shareholders and customers.

Question 11.—This can easily be done if persons well-read and acquainted with the method of Banking principles be at the helm of affairs.

Question 12.—Yes, only one to my knowledge. The failure is due to the fact that the Bank in question was started for an altruistic motive to promote the interests of a caste. But the shareholders, who are successfully managing other profiteering Banks, found that altruism does not pay, and so became "wiser," so to say, and closed the Bank. Benevolence in words is very different from benevolence in practice.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) Share capital, deposits and cash credit or loan.

(ii) Additional capital is certainly required, but I cannot state the amount.

(iii) Postal Savings Bank account; co-operative and other banks; provident deposit funds; endowment funds; life insurance; home safe boxes; current and fixed deposits with banks; cash certificates; Government Promissory Notes; debentures; shares in banks and limited companies.

(iv) In urban areas they are, but still there is a great necessity for organised propaganda work, to educate and enlighten the public, specially the indigent and illiterate people.

(v) The existing facilities should be extended to the interior and even in town areas, the benefit should be regularly explained to the public at large.

(vi) The women are especially fond of investing in gold and silver so that they may utilise it in times of great distress or want. It is very difficult for a woman to get loan unless she has got some ornaments which she can offer as a pledge and the money-lender also readily advances money on pledge of such ornaments. It is very difficult for a woman to keep fluid cash in hand or bank as she cannot resist the request, importunities and often threats of her husband, son or brother. She, herself, also may spend the same on unnecessary pilgrimage, etc., or on some pet object of her own under the influence of others.

For impecunious families also this is done where the head of the family cannot otherwise save anything however he may try.

As regards the rich, they also invest a great amount in gold, silver and jewellery so that the ladies of their family may not compare unfavourably with those of other families equal in rank and position.

Then at the marriage of some daughters some amount has to be invested in gold and silver by everybody as a matter of compulsion.

Question 2.—(i) Yes, to a certain extent, but if interest be raised to $5\frac{1}{2}$ or 6 per cent., it would be very popular.

(ii) Yes.

Existing terms of issue should at least be changed in this respect that if converted within one year the holder will get the interest due up to the date of surrender or conversion.

(iii) No.

(iv) More or less all classes.

(v) Interest should be raised, the maximum amount should be increased and more frequent withdrawals should be allowed.

(vi) Nothing against Cash Certificates.

Question 3.—(i) As regards small investors and agriculturists, Government Promissory Notes of the face value of Rs. 50 may be issued and facilities given to the public to purchase the same through local Post Offices and co-operative banks.

(iii) The poor use it in paying his creditor and landlord and in enjoying full meals for a few days and in purchasing the bare necessities. It is not even sufficient for all these purposes and he has to borrow again.

The more well-to-do class spend it in improvement of their houses and in purchasing luxuries of life and utensils, in marriage ceremonies and in giving loans to poor cultivators or in purchasing jotes and in purchasing articles of food and daily consumption so that it may last for the whole year.

Some may hoard it, but very few village people keep it in Banks.

(iv) Yes, generally on usufructuary mortgage or mortgage by conditional sale and at a very high rate of interest.

The farmers invest surplus money generally in money-lending business and in purchasing new jotes. The richest among them sometimes purchases zemindari and public rights.

Question 4.—(i) Cheque habit is growing very popular where the banks have introduced it. But unfortunately most of the banks are mere loan offices and have not introduced the cheque system. The Bank authorities have got to be educated about it.

(ii) It has made cheques very popular where introduced, and some mufassal Banks have introduced it after the abolition of the stamp duty and more are likely to introduce it soon. Some of the co-operative banks have taken lead in the matter.

(iii) All classes use cheque where it has been introduced by the Banks.

If cheques in Bengali language be recognised by Calcutta Bankers, the cheque habit may be made more popular.

Government servants, Bank, District Board, and Municipal employees drawing more than Rs. 100 per mensem may be paid by cheque.

(iv) It is in use in accounting.

(v) No.

Question 5.—(iii) No.

(iv) Commercial banking has increased and more mufassal people are learning sound banking principles and remittance facilities have increased.

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Mr. Mrityunjoy Acharya, Secretary, Chuadanga Central Co-operative Bank, Ltd. (district Nadia).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) By taking loans from money-lenders, merchants and dealers and co-operative banks.

(b) As above, but it is very rarely that agriculturists make any permanent improvement.

(c) As above.

(ii) In the case of co-operative credit societies the rates vary from 9½ per cent. to 15½ per cent. and in the case of loans from money-lenders usually 37½ per cent.; the period is usually 3 years except in the case of mortgages. No security is taken in 80 per cent. of the cases by money-lenders. Landed property and standing crops are

offered as security in a few cases. No other conditions are imposed. The percentage of secured loans is believed to be 20 and that of unsecured loans 80.

(iii) No part is played in agricultural finance in this part by either the Government or Imperial Bank, joint stock banks or indigenous banks or big bankers. Co-operative banks, professional money-lenders, merchants and dealers give what is known as dadan (advances), which is generally advance against crops raised or to be raised. These advances are generally given against jute, linseed and gur (molasses).

(iv) No. All I can say is that most of the agriculturists are in need of financial help and it is not possible to give an estimate. My idea is that a huge sum is required.

(v) There is practically no systematic endeavour to finance agriculture save and except that offered by the co-operative banks. This system seems to be working satisfactorily. The financing depends upon the reputation and solvency of the borrowers and sometimes village money-lenders have an eye upon the immovable properties of the borrowers. Unless and until an organised system of financing is introduced, the difficulty of obtaining finance will continue. Hence no remedy can now be suggested.

(vi) There is neither any organised credit agencies (except the co-operative banks, which have up to now approached a very limited number of people, viz., members of the banks), nor is there any co-ordination.

Question 2. (i) The raiyats generally sell their crops at home through beparies sent by dealers and merchants to secure the supply, or through agents in cases where dadan was given. Only in about 10 per cent. of the cases the raiyats in this part actually market their crops for sale. This is specially so in the case of jute and gur. In the case of chillies and vegetables the growers themselves bring them to markets for retail and wholesale sale.

He is unable to hold up his crop mainly on account of poverty and in a very small percentage of cases on account of want of education.

(ii) The possibilities are great provided well directed and organised effort is made in this direction.

(iii) There is one co-operative sale society known by the name of the "Alamdanga Central Co-operative Sale and Supply Society" in this subdivision. The society was formed on share basis under the Co-operative Act of 1912 and directors have been elected on the basis of purchasing shares of a certain value. The Chairman and Deputy Chairman are Government Officials, also elected. This society is linked to the Co-operative Wholesale Society of Calcutta and is financed by the Bengal Provincial Co-operative Bank, Calcutta, and sometimes by the Chuadanga Central Co-operative Bank to a very limited extent. The funds are at present sufficient considering the quantity of jute at present handled and available.

(iv) Government promissory notes, cheques and drafts and banks and clearing houses, etc., are no doubt existing, but in remote mufassal towns and villages nothing excepting notes are available. If the existing system of selling goods through beparis be replaced by direct market sale, the introduction of cheques and drafts would be necessary.

(vi-b) If in the place of middlemen, through whose agencies the produce is brought from the growers in villages and ultimately carried to mill-owners or balers, some organisation can be brought into being for taking delivery from actual growers and exporting them direct, the evil may be lessened.

(vii) Yes, partly so.

(viii) Hundis and promissory notes and system of R. T. R. recently introduced for transmission of large cash from the Imperial Bank to central and other co-operative banks through sub-treasuries and treasuries, drafts and cheques and postal money order and insurance.

(ix) Postal remittances ought to be cheapened. Branches of banks financing industries and agriculture ought to be established in large purchasing centres.

(x) The negotiable instruments play a very important part in internal trade because the bigger dealers have to depend mainly upon these. It is only in case of paying the growers that they make use of coins and notes of smaller denominations.

(xi) I think so.

(xii) They are generally held by middlemen, merchants and commission agents.

(xiii) No facilities, I have no suggestion to make.

(xiv) Railway receipts are generally employed. I know of no other instruments.

Question 3. (i) Rupees 150 to 200 per acre. The value of aman crop land is higher than that of aus crop land, although on the latter class of land two crops can be raised in a year.

(ii) The class of land, namely, aus or aman, the rights and incidents of the tenancy, viz., occupancy right, right of raiyat holding at fixed rate or non-occupancy right or under raiyats' right. The incumbrance on the land is also a factor. The rate of rent and the fragmentation of the holding and fertility are often great factors.

(a) Government auction for non-payment of revenue fetches the smallest value and often a merely nominal value.

(b) Court decree sales fetch a better value than (a), and sometimes fetch the market value in full.

(c) In private negotiations, full value is secured, except when the sale is effected for dire want.

Question 4. (i) None except in the case of under-raiyati holding.

(ii) The credit of agriculturists is supposed to have increased by making mortgages legal in the case of occupancy holdings, although this practice was extensively in use even before the introduction of the amended Bengal Tenancy Act, the landlords creating trouble in very rare cases.

(iii) Smallness and probability of fragmentation of holdings often discourage long-term credit institutions.

(iv) None in this district.

Question 5. (i) No estimate at present seems possible or available.

(ii) Enquiry by union boards may go a great way towards obtaining such an estimate with reasonable accuracy.

(vi) Increasing, I think.

(vii) The needs are only partially met by the Acts.

(viii) Larger allotments for each subdivision and the Subdivisional Officers should be always provided with sufficient funds for meeting local needs.

(ix) No itinerant money-lenders are found in this part.

(x) No concrete instance can be given.

(xi) Act X of 1918 is not availed of, because it can operate only when the rate of interest is found to be excessive, and the Act has not defined what rate is excessive.

I think the maximum rate of interest should be fixed by the Act.

(xii) Interest is awarded by courts here on the basis of a rate not exceeding $37\frac{1}{2}$ per cent. both for secured and unsecured loans, which is accepted as the prevailing rate here.

(xiii) Not to my knowledge.

(xiv) By forming agricultural associations and opening seed stores and distributing the seeds and paddy to raiyats on their executing bonds repayable in money. These bonds might provide for easy instalments.

(xv) Twenty-five to 50 per cent., generally 50 per cent.

(xvi) Simple interest, but the full interest is charged and becomes payable in the season of harvesting irrespective of the duration of the time of granting the loan. Thus, as is in vogue here, a raiyat having as standing crop who might take loan of paddy during the middle of Sravan, will be called upon to pay the full year's interest on the 1st of Aswin next if he cannot pay in full during the intervening month of Bhadra. The practice of charging compound interest with annual rests, which was in vogue here, has become obsolete.

(xvii) Yes, it was so, but with the introduction of co-operative bank with consequent set-back upon professional money-lenders, the evil is gradually disappearing.

(xviii) Yes, it does.

Question 5. (i) In this subdivision, there are no small industries supplemental or allied to agriculture excepting gur-making. The number of gur-making furnaces varies from five to ten in each village.

(ii) No; on the other hand, gur-making is on the decline, because the price of sugar is gradually coming down year after year.

(iii) Coir-making and hand-spinning seem more suitable here.

(iv) Loans from co-operative banks either in the shape of money or in the shape of raw materials required.

(v) The best financial machinery seems to be the co-operative bank.

Question 6A. (i) Persons engaged in conch-shell-making, and the manufacture of cotton silk products, match-making, soap-making, comb and button-making have to depend for finance upon their individual resources.

(ii) Introduction of banks for financing industries and better utilisation of Government grants in this direction.

Question 6B. (i) Co-operative banks, provident funds and private money-lenders.

(ii) For meeting everyday necessities of life, medical expenses and expenses connected with ceremonies. The rate of interest in the case of co-operative banks varies from 9½ to 15½ per cent. and in the case of private money-lenders is 37½ per cent. Practically there is no difference as regards rates of interest between secured and unsecured loans advanced by money-lenders.

(iii) Co-operative banks extend their help only to members and not to non-members. Government and indigenous bankers do not help them. Joint-stock banks, such as loan offices, do help the middle class people, small traders, and service holders generally on hypothecation of movable and immovable properties and sometimes on their personal securities. Opening of credit-giving centres by Government where no co-operative banks exist, is suggested.

(iv) My idea is that indebtedness is on the increase.

Question 7. (i) Co-operative banks have generally no relation with either the Imperial Bank or the joint-stock and other indigenous banks. The only relation that co-operative banks have with the Imperial Bank seems to be that the Imperial Bank acts as the forwarding agent for transmission through Government Treasuries of money credited by the Bengal Provincial Co-operative Bank to central and other co-operative banks under the Circular Orders of the Registrar of Co-operative Societies.

The agency of co-operative banks is sometimes utilised by indigenous banks and joint-stock banks for transmission of money by drafts, cheques, etc., from one centre to another.

(ii) Central banks cannot always meet the demands of societies affiliated to them for want of funds. This applies both in the case of long-term and short-term capital, particularly in the case of the latter.

(iii) No.

(iv) I have no idea of how matters stand in the province. So far as this district is concerned, there is no competition.

(v) My view is that the reduction of the postal money order charges is desirable.

Question 7A. (i) Yes, provided there are sufficient safe-guards for securing full payment.

(ii) Yes.

(iii) No.

(iv) Practically no relation and no assistance.

(v) It can very well be done.

Question 7B. (i) In areas where co-operative societies have been established, private money-lenders are becoming extinct. The practice of charging compound interest has become a thing of the past and the rate of interest has fallen to a certain extent. No difference is observed in this part between secured and unsecured loans generally.

(ii) To a very great extent. I think 50 per cent. of the former money-lenders have wound up their business and more are following suit.

(iii) Want of education, activities of designing people and persons who are keen on acquiring raiyats' lands. In certain cases the local landlords and persons having some local influence instruct people not to have anything to do with co-operative bank for fear of losing their prestige and position.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) None.

(b) Yes, there is one at Kushtia (subdivisional headquarters) known as the Kumarkhali Bank.

Question 8. (ii) Yes, I think so.

Question 9. (ii) Yes.

Question 10. They ought to be federated into a central banking institution.

Question 11. No.

Question 12. No.

Part II.—Indigenous Banking.

Question 1. Their only function is to lend money generally to men of property, e.g., small landlords and small traders, etc.

Question 2. The indigenous bank and bankers are themselves dealers in jute, seed grains, etc. They help agriculture, trade and industry only in an indirect way for the purpose of securing articles necessary for their line of business.

Question 4. Dealers in mufassal make use of hundis in their transactions with their capitalists living in more important business centres. All I know is that this is in extensive use. Hundis are payable by these firms to bearer or order. Another kind of hundis usually employed between firms having dealings with one another, is payable within a certain time, generally 45 days, in which case interests varying from 3 to 7½ per cent. are charged. This is employed when any firm is short of money. Exact forms in use are not known.

Question 5. (ii) Share money and deposits.

(iii) Generally from 3 to 6 per cent.

Question 6. (i) The usual rate is 37½ per cent. but no interest on what is known as dadan is charged. The indigenous bankers in their competition with their rival bankers have to advance dadan to secure supply of goods in season. The above rate applies to cash loans. In the case of loans in kind interests vary from 25 to 50 per cent.

(ii) Opening of seed distribution centres, loan giving centres by Government, introduction of larger number of co-operative banks and co-ordination between Government and indigenous banks.

(iii) The reduction will confer benefit on the agricultural community and increase its resources leading to an improvement in the standard of their living, but is not expected to enable them to spend on agricultural improvement and better implements.

Question 7. (i) No.

(ii) Yes.

(iii) No better facilities seem called for.

(iv) Yes.

Question 8. (iv) It would welcome any measure which will be fair to it and its clientele.

Question 11. (ii) Yes.

(iii) Inclusion in the local directorate, of the bankers themselves, would give them a thorough idea of the real scope and object of the proposed banks and inspire confidence in them.

Question 12. (i) Yes, in slack season.

(ii) Yes.

(iii) If this surplus money is invested in the proposed local banks and in the existing co-operative banks, that will benefit the district.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (iii) Postal Savings Bank account, cash certificate, several kinds of deposit schemes of co-operative banks in vogue, lending business system and investment in Government securities and shares.

(iv) No.

(v) Establishment of post offices in interior villages to take savings and issue cash certificates might improve matters slightly.

(vi) Pure agriculturists do not have enough to invest in silver and gold. The middle class people are compelled to do it in social custom, e.g., dowries at the time of marriage. Otherwise this class is too poor to invest in silver and gold. Rich men invest large amount in gold ornaments.

Question 2. (i) Yes, they are. Slight increase in the rate of interest might increase their popularity.

(ii) Only the rate of interest need be changed.

(iii) Yes, where post offices transacting savings bank accounts exist.

(iv) Middle class people generally and sometimes destitute widows of poorer classes. Rich people having dealings with banks do not resort to this.

(v) Rate of interest may be increased.

Question 3. (i) They are made available through Government, Post Offices, and Imperial Bank and private negotiations. I am not in favour of special facilities as I am certain they will not be availed of by those for whom they are proposed.

(ii) Brokers afford some facilities.

(iii) Agriculturists and people in small industries and middle class people have to spend the whole of their income in meeting their every day demands. Merchants and dealers in slack season either bank their money or utilise it in speculation, purchase of shares, securities and in lending.

(iv) Farmers generally have no surplus money even in a prosperous year and hence do not lend to fellow agriculturists. I have no information regarding the amount, growth and distribution.

Question 4. (i) Growth of this habit is not perceptible here.

(ii) The abolition has popularised it.

(iii) No suggestion to make.

(iv) Vernacular scripts would unnecessarily increase the work of banks and introduce avoidable complications.

Question 5. (i) Yes, I do.

(ii) Mainly to want of educational facilities.

(iii) Government propaganda seems to be the best.

(iv) Opening of new branches has been of immense service to merchants, dealers and private individuals and bankers in and round about places where they have been opened and afford very great facilities in regard to carriage and transmission of money for business and other purposes by curtailing both cost and time of transmission.

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**Mr. B. B. Dutt, Secretary, Central Co-operative Bank, Ltd.,
Brahmanbaria (Tippera).**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) By taking loans from village mahajans and partly from past savings of last season's agricultural produce.

(b) The same.

(c) The same. A portion goes to joint stock loan companies—1/32 part. The Co-operative Department has tapped 1/40 part and finance them during seasonal needs.

(ii) Loans and advances are of various kinds. Some are temporary seasonal loans and others are long term loans. Short term seasonal loans carry higher rate of interest. Those advanced between April—June carry highest rate, money being tight, from 37½ per cent. to 24 per cent. according to security of person and his personal credit and honesty. Generally, the rate of interest is on a sliding scale, the more secure persons get at less rate. It rises from 24 to 48 per cent. During slack season it is from 18 to 24 per cent. The mortgage bonds carry less rate of interest; exceedingly good securities such as zemindary and taluk right of permanent nature, carry interest at the rate of 9 to 12 per cent. On properties on which mahajans have an eye, it carries further less rate of interest. Mahajans seldom charge compound interest, but the joint stock companies invariably do, with 3 months' or 6 months' rest. The (b) and (c) classes noted above have to pay interest at the rate of one anna to two annas in the rupee, during the tight season, i.e., from April to June.

In this part of the country the secured loan might be said to be 50 per cent. nowadays. It used to be 25 per cent. before. As litigation has to be resorted to nowadays for realisation of loans, mahajans favour secured loans more.

(iii) The Government seldom takes part in agricultural finance except in case of failure of crops. Taccavi or Government agricultural loans at $6\frac{1}{2}$ per cent. are then issued to agricultural population.

The Imperial Bank of India finances only jute, sometimes cotton and tea. Many European firms and some Indian agencies get advances on hypothecation of crops.

Joint stock banks advance loans for agricultural operations. They are a fraction of the population.

Co-operative banks finance agriculture during seasonal needs and also at times of emergency by long term or short term loans. Their short term loans carry lower rates of interest and long term loans carry higher rates of interest—just opposite of indigenous mahajans.

They are financing agriculturists from time immemorial. Their rates vary according to the class of securities offered. Those who can offer better security can get at cheaper rate. Between the professional money-lender and his customer a sort of family relationship grows up. He comes in always in time of his need. When the mahajan has an eye on his property money will be advanced to him on easy terms. The loan accumulates and when it reaches the maximum the mahajan gets a money decree and executes it and purchases the property. Debts run from father to son and grandson even.

Merchants advance money to their customers, say, to weavers, fishermen, even agricultural garden-producers, to take the stock at their (the former's) own price. It is a notorious fact that mahajans have been fleecing the weavers, while they earn 100 per cent. to 200 per cent. on their capital, only for supplying finance. The actual weavers can seldom earn from annas 12 to rupee one a day. The best silk or cotton weaver does not earn more than Re. 1-8 to Rs. 2 a day. He is always in debt to his mahajans.

Companies dealing in fertilisers only give credit, for fixed periods to recognised people of the country side who have solvency.

(iv) On a rough estimate, the population per head requires Rs. 10 to Rs. 20 for such financing. Taking 26 lakhs to be the people of Tippera, the capital required or invested appears to be nearly Rs. 2,60,00,000.

(v) For all the reasons noted above the agriculturist does not get the maximum, but the minimum benefit only. He is exploited by all classes through whom his transactions pass. He does not get money at the cheapest rate, but on the contrary, he gets it at the highest rate obtaining in the land. When collective money lending has become competitive by the growth of rival credit institutions, then only they can expect a lowering of the rate for their benefit. Individual money-lending must disappear first.

(vi) At first sight it would appear that there is no co-ordination, each section carrying on its own business independently or separately. But there is co-ordination in the sense that each has its own defined class of customers, and they do not clash with one another.

Question 2. (i) The raiyat lives from hand to mouth and is always in debt to his landlords and mahajans and hence he cannot hold up his crops.

(iii) There are two jute sale societies at (1) Ashuganj and (2) Chandpur. The brasssmiths have one sale society at Brahmanbaria. Two other co-operative sale societies [(1) Kalikachaha and (2) Gupinathpur] are in moribund condition and likely to be closed soon.

The two jute sale and supply societies have not been sufficiently old to command market and control it.

The shareholders elect directors, who manage these societies by paid agency. They are linked to a central organisation, *viz.*, the Bengal Co-operative Wholesale Society in Calcutta.

The Bengal Provincial Co-operative Bank, Calcutta, finances them. Up till now they are getting necessary finance from it.

(ii) Credit facilities are required to help at all stages from the first hat to the exporting port of embarkation. At each succeeding stage of sale, the middle man must buy it up. Present existing facilities are crude and expensive and tend to make produce highly expensive.

(v) Yes, there is. The internal trade of this country is financed by indigenous money-lenders and bankers and it makes the produce expensive. It is too costly. The foreign trade, both import and export, being under expert bankers of the world, the flow in and out of merchandise through them is cheaper. Continental goods are finished at less cost and sell cheaper. Indian produce can hardly compete for these reasons.

(vi) (a) In the export trade, the top central agency at port is generally in the hands of non-Indians. The foreign banks and the Imperial Bank of India control it. The intermediate agencies in the middle and the last agency at the bottom are in the hands of indigenous bankers or mahajans, be they Sahas or Marwaris. The export trade at the port is dealt with through Imperial and foreign banks and they give credit facilities.

(vi) (b) The import trade at the bottom is in the hands of mahajans. The direct importers are European firms through foreign banks. The middle stage is in the hands of indigenous people, up to customers. Credit facilities are offered by Marwaris and Sahas. Brokers play an important part at the ports.

(vi-a) The terms are of various periods, from 90 days' credit to a month's credit. At present both export and import trade are controlled by the foreign banks. Without their help the foreign goods cannot come nor go out. The exporting merchants of other foreign countries sell to Indian big merchants through foreign banks. The Indian merchants have their own chain of middle men for distribution and internal sale. At ports brokers find out the middle men. Village hat is the last stage of process. If there could be Indian banking facilities on the lines of European banking at the top, goods could sell cheaper. The case is the same with import trade. There is hardly any Indian big trade agency to import direct. Non-Indian agency imports for it, then it finds its middle men customers through brokers. In Bengal export of jute involving several hundreds of crores is in the hands of non-Indian export agency. In Bengal cotton import trade—finished

good fabrics—are controlled by non-Indian agencies. They involve hundreds of crores of rupees. The middle and the last stages of distribution are in the hands of Indian middle men.

(vi-b) Yes, it is a fact. Take the case of jute and cotton fabrics. In jute, owing to speculative buying, the prices at the top vary. The advance sale of jute even before the crops are sown, not to speak of harvesting, tends to make the grower a tool in the hands of his purchaser. He cannot quote his price. All articles of produce are sold at prices fixed by the grower, but in jute, the purchaser fixes the price. You must sell at this rate or you must back out of the market is the term given by the exporting agencies. So the growers get $\frac{1}{5}$ of the price at which it is sold at foreign ports. Cotton fabrics are controlled by Marwari middle man. They gamble on the goods. But for this it might have been sold for cheaper rates. The producers like jute growers do not get the highest price. He gets $\frac{1}{4}$ of the price of the last sale. Banking facilities on improved lines can only effect a proper remedy.

If the growers are to get a better result for its produce, he must first have sufficient cash to hold on for 2 or 3 months after the crops are harvested. Secondly, he must have a combination amongst the growers not to sell before such period. The crops must gradually be of good quality. He must increase the yield by intensive cultivation. No portion of raw material should be sold, but only finished goods should be exported.

(vii) In India first of all individual money-lending must give place to corporate money-lending. Borrowers must also command credit. Speculators and monopolists control prices at present. The standard of quality is not defective. The articles are of uniform quality when ordered for. In jute of course there is some manifestation by Marwari dealers. But the producers do not play such tricks. Their standard is according to the order placed in the market.

(viii) The branches of Imperial Bank of India, Mercantile Bank of India and local joint stock concerns and hundies of indigenous mahajans and last though not least Government Post Office Insurance and supply bills of Government Treasuries.

(ix) There is no chain in the present business—only Government post offices have the largest number of agencies but it is not cheaper. The district headquarters (27) have Treasuries for supply bills. Neither the Imperial Bank nor the Indian banks have sufficient agencies. For easy flow of business there should be branches in each district headquarters, each subdivisional town and each big internal trade centre. If the local joint stock banks could be under one common organisation that would have been advantageous. If the Bengal Provincial Co-operative Bank engages in pure banking business through its affiliated societies (central banks) and the central banks through their 12,000 credit institutions in the villages, the trade facilities could be improved. For that purpose the central banks and societies must be placed under trained and efficient hands. Money could flow in and out of the country only through these arteries to the main market in Calcutta. The Co-operative Department ought to engage in pure banking business.

(x) The negotiable instruments offer credit facilities to the traders, goods are sold at 3 months' to one month's credit. It is saleable. And

it is passed on from one party to other. Hundis, railway receipts are helping internal trade.

(xi) Yes, it ought to be used more extensively. The duty on bills might further be reduced.

(xii) Payable at different periods—for 3 months, for 2 months and for one month. Interest is more when periods are longer. Railway receipt is one kind of hundi.

(xiii) Yes, I think so.

(xiv) 25 per cent. discount at local centre; 50 per cent. at provincial centres—Calcutta, Narayangunge, Chittagong. 25 per cent. with middle men.

(xv) Hundies are not rediscounted in our locality. The original one is passed on. Banks might rediscount it. Co-operative central banks might take this up.

(xvi) Railway receipts, bills of lading, hundies at sight, or for 30, 60, 90 days' sights, are several instruments of ownership of goods. They are saleable and negotiable. They help to raise money.

(xvii) No difficulties are experienced in cashing bills of lading, issued by Inland Steam Navigation Company. There are rare occasions of spurious or forged bills of lading being issued by parties, in conjunction with the staff of River Steam Navigation Company and merchants find difficulties in tracing goods. More details might be noted in bills of lading in respect of goods, sender, receiver. Inland river form might be on the lines of foreign bills of lading.

(xix) Licensed warehouses exist at ports only. The system of United States of America might be introduced.

(xx) Yes, Government must lead the way. Bonded warehouses at major ports might be further improved by Government aid.

Question 3. (i) Good jute land per acre (3 kanis) Rs. 1,500 to Rs. 3,000. Good paddy land per acre (3 kanis) Rs. 1,000 to Rs. 2,000. Medium jute land per kani Rs. 300 (300×3) or Rs. 900 per acre. Medium paddy land per kani Rs. 200 (200×3) or Rs. 600 per acre. Lowest quality land either for jute or paddy varies from Rs. 50 to Rs. 100 per kani, or Rs. 150 to Rs. 300 per acre.

(ii) Produce is an important factor in determining this. The sale price of crops also regulates it.

(a) It depends on bidder—Per bigha Rs. 100 to Rs. 150 at Government auction for non-payment of rent. It becomes free of all incumbrances. The more the bidders, the higher is the price.

(b) Under court decree it is Rs. 50 to Rs. 100 per bigha. It also depends on the presence or absence of bidders. The price increases with bidders.

(c) By private negotiation or voluntary sale. The price for good lands is from Rs. 500 to Rs. 1,000 per kani, for medium lands from Rs. 300 to Rs. 500 and for lands of the lowest quality from Rs. 50 to Rs. 100.

Question 4. (i) There is none. Previously agricultural lands could not be sold without consent of landlords. The recent Bengal Tenancy Act amendments have removed this restriction.

(ii) The credit has gone up; sale of agricultural lands are easy now.

(iii) Smallness and fragmentation of agricultural holdings do not stand in the way of raising long term credit. But agriculture would improve if agricultural holdings were bigger in size. Scientific implements, such as tractors, could then be used. Yield might be increased. If the fields are bigger, capitalists might be induced to lend more money for long periods. Small holdings do not stand on the way of raising requisite loan.

(iv) No co-operative land mortgage banks now in our district. Joint stock banks issue loans on mortgage for 12 years' term.

(v) They raise capital by finding deposits. They lend money on mortgage of agricultural holdings and generally do not sue before 12 years. Interest is allowed to accumulate and the whole mortgaged property is sold out, and the debtor becomes a landless labourer.

(vi) Co-operative land mortgage bank for agriculturists might be established.

(vii) (a) The entries on record-of-rights are clear now. The name of the last tenant might also be entered. As to boundaries one more to the east might be added.

(b) That would create hardship.

(c) Yes, these might be reduced.

(viii) (a) Yes.

(b) Yes.

(c) No harm in issuing debenture bonds if they find a ready sale.

(ix) Not essential. If the directors cannot create local or provincial confidence, then only they can ask for Government guarantee. Government guarantee debentures will have ready sale no doubt.

(x) Due control of the working of such banks and their periodical inspection by Government auditors and inspectors. Investments should be carefully looked after.

(xi) Agricultural mortgage banks should raise money first by deposits by creating local confidence, secondly by selling of debentures with a guarantee for principal sum only. The margin of lending and deposit should not exceed 3 per cent.

(xii) Yes, it ought to be included.

(xiii) Long term credit should be backed by substantial property. It ought to be 10 times of the money issued for sure repayment.

Question 5. (i) For a village of 500 families with a population of 2,000 souls, taking 4 in each family, the total indebtedness might come up to Rs. 20,000 taking each man's debt to be Rs. 400 on the average. Brahmanbaria subdivision has a total of 2,000 villages, so the total indebtedness might be 4 crores.

(ii) As noted above.

(iii) In the village with a total debt of Rs. 20,000—

(a) 25 per cent. or Rs. 5,000 would be on mortgage bond; and

(b) the rest on such securities.

(iv) (a) 50 per cent.; (b) 10 per cent.; (c) 10 per cent.; (d) 5 per cent.; (e) 5 per cent.; (f) 10 per cent.; (g) 10 per cent.; (h) nil.

(v) Professional money-lenders 75 per cent.; co-operative societies 10 per cent.; joint stock loan company 10 per cent.; occasional money-lenders 5 per cent.; total 100 per cent. Government (in times of distress only) 5 per cent.

(vi) I regret it is increasing, owing to increased cost of living.

(vii) Only in times of distress these loans are availed of. Not more than 10 per cent. of the population avail themselves of it, though rates of interest are cheapest in the market, for such classes of people.

(viii) The operations are prompt already when persons are recommended by union board presidents, and if such recommendations could be accepted without reservation, these might be more prompt.

(ix) Kabulis are rare here. They occasionally ply warm clothing business during winter by selling blankets on credit and realising 50 per cent. in excess of market value, by force of lathi.

To a man in the street, without knowing his assets or credit, they will distribute a blanket or coat on credit writing his name in their chit book. After sometime, say, 2 or 3 months, during harvest season they will come and demand the money and realise by show of lathi. They are said to follow a man, for his dues to his grave and try to dig out his dead body, if dues are not paid up. In Brahmanbaria subdivision Kabulis are not very plentiful.

(x) In Nasirnagar thana the returned fully paid up bonds have an interest of 2 annas in the rupee and in some cases the interest was 4 times that of the principal.

A suit was filed in the Civil Court at Brahmanbaria sometime ago for a sum of rupees one hundred principal and compound interest at 2 annas in the rupee, compounded every month. The interest accrued was some thousands and the mahajan gracefully deducted 75 per cent. of his claim, still the claim amounted to the huge sum of fifteen hundred rupees for a principal of rupees one hundred. The duration of the loan was below 10 years. The mahajan saved limitation by voluntary payment of interest and recording it on the back of the bond. Further, it is reported, that some mahajans continue the debt from father to son and from son to grandson with no intention of making him free. It is also reported that some time advance interest for five years are incorporated in the bond along with the principal to be more sure of the game. So the debtor executes a bond for rupees four hundred and gets cash money for rupees two hundred. So the profit of the mahajan is more than 200 to 300 per cent.

Another class of mahajans dealing with illiterate debtors do not keep regular account books and repayments of loans or interest are never recorded and the debtor does not know when he can terminate his account and get himself free.

(xi) Not much availed of. Debtors have not learnt to apply for the same. Propaganda to disseminate knowledge about the provisions of the Act, among the rural people, is essential.

(xii) (a) Courts follow the rate of 6 per cent. on decretal amount till day of realisation for unsecured and secured loans.

(b) In unsecured loans, if the rate be too high they deviate according to equity and general law. In secured loans, the contract rate is followed, if it is not too high.

(xiii) Yes, shrewd and dishonest mahajans write an amount for excess of the actual money paid to cover excess rate of interest, if the actual sum paid is Rs. 100 the amount put down as principal is Rs. 200.

(xiv) The above method can only be stopped if the court, as soon as a case is proved, cancels the entire bond and declares the contract to be void or ineffective. If such abuses are checked raiyats can get loan of seeds and paddy and can pay it off.

(xv) Paddy loans are of the following nature—kind for kind. In repayment time either double or one and one-half is paid back.

(xvi) The rate of interest is the excess amount paid. It is enforced through village punch or court of law, a chit or memorandum is kept of the whole transaction with repayment terms.

(xvii) Yes, at times this happens. Good farmers are turned into *bargadars* when their lands pass off to mahajans. Excessive rate of interest is not the only cause for such passing off of land. The cultivator has no idea of income and expenditure and has no savings. During occasional cycles of short crop or no crop, owing to flood or drought, he cannot fall back upon any savings. Any extra expense for funeral or marriage ceremonies of children he can hardly meet from savings. Such people will, on the other hand, purchase a village horse or racing boat when he gets some extra money by selling jute at high price or take a 3rd or 4th wife at such time. So unless the illiteracy is removed there is no hope for him. The cultivator must be taught to remember that for 3 good years there is one bad and it revolves on and on. He must be prepared for such emergency.

(xviii) I think, when he turns into a *bargadar* or paid labourer, his incentive for efficient cultivation is lost to some extent. But while a section of cultivators is converted into labourers, another diligent set of labourers becomes good farmers when they save enough to purchase lands. Generally, the incentive to good cultivation is not lost on the population. But intensive or methodical and economic cultivator is not so common.

Question 6. (i) Paddy husking is very common. Dairy farming is practised not in a methodical way, but cows are kept and milk sold. Eggs are also sold. Fowls, goats, sheep are kept and sold when they are grown up. Garden produce and green vegetables are sold. Sugar-cane, tobacco and pulses are regularly cultivated. Gur-making is a spare time industry for winter season. Hand spinning is rarely done in spite of encouragement in this behalf by political associations. It is not economically paying.

(ii) If such spare time industries can be run on pure business line on sound methods, they will be profitable and the country would be benefited. Middle class unemployed might usefully take to any of these occupations.

(iii) Poultry farming, vegetable gardening, rearing of fishes, hand weaving by fly shuttle might add to the farmer's income. But if they are to raise their standard of living, intensive cultivation, in a methodical way, on the lines of Japanese farmers, has to be adopted.

(iv) Small co-operative banks in all villages might supply the capital, if they can command sufficient capital.

(v) A big apex bank at the top with intermediate agencies and subsidiary agencies in towns and villages. People have to give up the habit of individual money-lending and should be depositors in banks. By this theft will be automatically discouraged. The Bengal Provincial Co-operative Bank through central banks and societies might start such business. But the village rural societies should be in trained hands when the scheme works.

Question 6A. (i) They are of two kinds—(1) private joint partnership business and (2) joint stock concerns, registered under the Indian Companies Act:

(1) Regarding this section the proprietors finance them either from their own funds or by borrowing from mahajans or loan companies.

(2) Regarding these sections, their initial share capital commences the business. Later on they enter into a contract with a joint stock bank for periodical or regular financing. They deal with internal trade of the country in the marketing of the exported goods and of finding means for the import of cotton goods and miscellaneous articles.

(ii) Only joint stock banking on a methodical and up-to-date methods can provide better financial facilities.

Question 6B. (i) They also borrow from mahajans or joint stock loan offices. Their requirements are not supplied by any special class of bank. Co-operative urban banks supply their money needs, at times.

(ii) These people generally live from hand to mouth. And income being limited, they are compelled to borrow in every case of abnormal expenses, say, prolonged illness of self and family and children, death of any member, marriage ceremony of any member, purchase of property. They borrow at rates of interest between 12 per cent. to 24 per cent. Day labourers' rate of interest is between 24 per cent. to 37½ per cent. Secured loans carry lesser rate of interest than unsecured loans, in case of which the rate is almost double.

(iii) Government gives no loans to non-agriculturists, mahajans, indigenous banks, joint stock loan companies and co-operative credit banks lend them money at the rates fixed by each. When indigenous banking is improved on modern up-to-date banking system, then only can they expect better credit on better terms and rates.

(iv) It is our belief, and our observations prove the fact, that indebtedness of all classes are increasing owing to a rise in the standard of living, without a corresponding increase of income. It is sad story to tell.

Question 7. (i) Co-operative banks' relation with Imperial Bank of India is now such, that central banks can borrow money on cash credit account on some one guaranteeing the money. Imperial Bank does not allow direct financing to other types of co-operative banks except provincial urban banks or approved urban banks only. Joint stock loan company or banks look upon co-operative banks as their rivals who have come to take away their market. But after a lapse of 14 years the first opposition made by joint stock banks is disappearing. It is dawning upon their sense that every one has a separate sphere of action, the country being vast and having teeming millions to serve. The co-operative banks have hit the market in reducing the rates of

interest on lending; and hence indigenous banks look upon co-operative banks as their enemies. They are still unfriendly. The Imperial Bank of India now and then finances joint stock loan company on hypothecation of Government securities or of any crop such as jute, tea and cotton. Generally they do not transact much business with joint stock banks.

(ii) As regards finance, both for long term and short term loans, co-operative banks do not feel much difficulty. When deposits are scarce then only they find difficulties as there are many rival joint stock banks. Co-operative banks cannot offer high rates, for their rates of lending are fixed at 9 3/8 per cent. to 10 15/16 per cent. Imperial Bank is outside such competition.

(iv) There is competition between central co-operative banks and joint stock loan companies. Imperial Bank is outside such competition. When a branch of the Imperial Bank is established in one district it absorbs some local capital, say, 25 per cent. to 50 per cent. of old banks. They suffer in their current account, but as to fixed deposits they do not suffer, for the Imperial Bank rates are lesser.

(v) The above note.

Question 7A. (i) Yes, to depositors only up to 75 per cent. of fixed deposit. As a maximum, 50 per cent. would be better.

(ii) Yes, co-operative institutions should be freely allowed to deposit in joint stock banks or lend to Government Court of Wards under proper safeguard. The restrictions of section 32 should not be relaxed.

(iii) Yes, under proper safeguards. The competition between them might be eliminated by such process.

(iv) At present they work on separate spheres. Co-operative banks do not lend to joint stock banks nor place deposits there without the Registrar's sanction—but they can borrow from joint stock banks in case of emergency. A list of joint stock banks might be drawn up by the Registrar, with whom such relations might exist. The list might be periodically examined. Both are serving the public.

(v) The co-operative banks, especially central types, should be allowed all kinds of banking business. Rai Bahadur Sasadhar Ghosh, B.L., Honorary Secretary, Mymensingh Central Bank, drew up such a scheme and discussion took place in the Tangail Co-operative Conference, in the presence of late Hon'ble Minister Nawab Sir Syed Nawabali Choudhury some 3 years back.

Question 7B. (i) The rates of interest have gone down by 50 per cent. or more on secured and unsecured debts.

(ii) At present only 10 per cent. they have replaced, I guess.

(iii) The co-operative banks have not as yet caught on the imagination of the masses. In normal times they have to be canvassed and good deal of propaganda work is essential before any new one is tapped. Illiteracy is one of the causes. There are very few people who can run the society properly. A sound punchayat committee, unselfish in nature, is difficult to get. People are so used to private money-lending, that such useful rules as to monthly deposits, thrift and curtailment of expenses looked upon as undesirable elements thrust on them. Village banks cannot focus local capital. In the punch committee, sound common sense, honesty and intimate knowledge of a village

mahajan as to how to deal with loans, are essential. It has been found on experience that what a man will do individually correctly will be full of confusions and mistakes when he does that collectively. Educational improvement can only solve the difficulty. Village banks militate against the accumulation of reserve fund. They cannot be made to understand that reserve fund is only for the time of urgency and it should never be mixed up with working capital. If the punch committee could be effective, then the rapid growth of rural societies would be assured.

Part IA.—Loan Offices and Joint Stock Banks in Mufassal.

Question 1. (a) At district headquarters—

- (1) The Comilla Union Bank, Ltd.
- (2) The Comilla Banking Corporation.
- (3) The Comilla Loan Office.
- (4) The East Bengal Bank and other companies.

(b) At subdivisional headquarters—

- (1) Brahmanbaria Loan Company.
- (2) Brahmanbaria Lakshmi Bank.
- (3) Brahmanbaria Coronation Bank and such other companies.

(c) In the villages there are about half a dozen joint stock banks of recent growth, not more than 2 years old.

Question 2. (a) The relative proportion of paid up capital is very low. One, with a paid up share capital of Rs. 10,000, is doing business for 7 lakhs. Generally, working capital is 50 to 60 times of paid up share capital.

(b) Reserve fund is disproportionate. It is 1/80 to 1/100 of the working capital. It is mixed up with working capital or investments in lands or buildings, seldom in Government gilt edged securities.

(c) No proportion fixed. They take whatever they can get. But the cover is quite insufficient. 1/40 or less is kept for cover. In case of emergency they cannot pay. This year current account deposit is not being paid by loan companies or joint stock banks here, while the central co-operative bank is regularly paying them at call. Current accounts are run on crude unscientific chance method, in the hope of getting some money from some one, when the call comes. In any emergency they are helpless and cannot cope with it.

(d) I think they bear a proportion of 30 per cent. of the total deposit.

Question 3. (i) The Brahmanbaria Central Co-operative Bank has the following rates of interest for deposits for following periods:—

		Per cent. per annum.
3 years and more (fixed)	...	7½
2 years (fixed)	..	7
1 year (fixed)	...	6½
Current	...	2
Savings Bank	...	3½

The loan office rates are between 9 per cent. per annum to $6\frac{1}{2}$ per cent. for fixed deposits for 4, 3, 2, 1 year. In current and savings bank accounts the rate is between 4 per cent. and $3\frac{1}{2}$ per cent.

Three years generally and sometime 5 years. Ten years' fixed deposit, though uncommon, is not rare.

Question 4. (a) Government, etc., 5 per cent.; (b) immovable 30 per cent.; (c) industrial 10 per cent.; (d) on personal security 45 per cent. (sometimes this is above 50 per cent.); (e) jewellery 5 per cent.; (f) goods railway receipt bill of lading 5 per cent.; total 100 per cent.

Question 5. (i) Loans for various purposes carry same rates of interest. Unproductive or productive loans make no difference as to rates of interest. But in co-operative societies the productive purpose loans are for short periods and as such short terms loans carry interest at $12\frac{1}{2}$ per cent. while other loans are issued at $15\frac{1}{2}$ per cent. Loans are granted for periods from a month to several years.

(ii) Yes, in loan office the invariable rule is to charge compound interest on accumulated interest, at the close of the quarter, six months or a year, as the stipulation might be. In co-operative banks there is no such thing as compound interest. But in some banks a double rate of interest, known as penalty, is realised from defaulters, but this is credited to profit side. And for punctual payment, rebate is also allowed.

(iii) Not in loan companies. Some money-lenders deduct interest for one quarter at the time of issuing loan. But that practice is now out of date.

(iv) Yes, when overdue, notice is given and suits are filed in court.

Question 6. (i) Yes, at least $1/3$ rd of their loans is to agriculturists, who have to pay the highest rates of interest. In some loan companies, they have different rates for different parties, one man gets loan at 13 per cent. and another party for same amount gets at 24 per cent. Solvent men get at lower rates. This is bad and might lead to abuse. But up-to-date loan companies do not practise such things. Tenure holders and zemindars get at lower rates. Now that agricultural holdings are saleable freely, they are expected to get at lower rates.

Agriculturists get loans joint with sureties or on mortgaging their lands.

(ii) No, the loan companies are making profit on such lendings. They do not serve the agriculturists. The co-operative societies lend at uniform and cheaper rate to rural people. The co-operative money is the cheapest in the land as regards rate of interest, for Rs. 10 to Rs. 20 can be got at $15\frac{10}{16}$ th per cent. and in some cases at $12\frac{1}{2}$ per cent. on short term.

Question 7. (i) Sometimes they purchase properties from decretal amount of loans. And they manage them. One loan company of Bengal owns zemindari yielding about a lakh a year. It cannot be said how much proportion is utilised in other business. It may be from 2 per cent. to 3 per cent.

(ii) The difficulty lies in the absence of trained staff and a competent board of directors who can manage such things. They should have more fluid money to fall back upon, money should not be blocked

in investment for long periods, money must quickly circulate and return back. The Comilla Union Bank does all kinds of banking even foreign remittance and telegraphic transfers.

Question 8. (i) There is no hard and fast rule. Co-operative bank keeps $\frac{1}{4}$ th of its profits. Joint stock bank keeps 10 per cent. to 15 per cent. of profits for reserve fund. And reserve funds are invested in buildings and lands, sometimes in Government promissory notes.

(ii) They vary. The co-operative bank cannot pay more than 12½ per cent. under the rules. The joint stock banks pay 60 per cent. to 20 per cent. and sometimes 80 per cent. As their paid up share capital is too low in proportion to working capital they can pay such high rate. Their investments with compound interest earn 50 per cent. to 60 per cent. Tea concerns pay even more.

Question 9. (i) Accounts are kept either in Bengali or in English. There are the daily Cash Book, Fixed Deposit Ledger, Loan Ledger, Abstract Cash Book on all heads and the vouchers. On the whole they follow a system midway between old account keeping and English methods. Double entry system is only followed in big joint stock banks of Calcutta and Bombay.

(ii) Yes, that would facilitate matters and would be advantageous to all.

Question 10. It would be well and good if they could do it. They could then control the whole money market as to internal trade of the country.

Question 11. If they will have a good trained set of directors they can command and focus local money centres. They can encash Railway receipt bill of lading, purchase and sell Government promissory notes, municipal debentures. The Jalpaiguri Tea and Trading Co., Comilla Union Bank and Bengal Central Bank are doing this. Other loan offices might follow.

Question 12. None as yet. Generally due to bad investments due to dishonesty of directors. Insecure loans to a great extent are issued and when the time for repayment comes, there is an inevitable crash. The Bengal National Bank is a typical case. For speculative purposes loans are not issued so extensively; consequently speculation does not play a great factor in failures. I should say intentional wrong investment with no backing of asset is the cause of failure.

Part II.—Indigenous Banking.

Question 1. The indigenous bankers are of two kinds: (1) individual's personal account and (2) corporate bodies' account. Generally a rich local merchant lends money to people. And his confidence in others' estimate encourages people to flock to him and keep their money, ornaments for safe custody. Generally, it is only a safe deposit with no interest. At times it carries interest varying from 5 per cent. to 9 per cent. He can utilise their money in his business. He pays them on demand or at the end of the stipulated period. Widows often keep money with them, as they have implicit faith in his honesty.

Question 2. There are partnership firms which carry on this business, e.g., Rambilas Gonesh Bhabakt. Having agencies at trade centres they carry on hundi business. A trader deposits with Ram

Bilas in Chittagong Rs. 10,000 and wants a draft on Calcutta for his friend. Ram Bilas's firm gives a letter to the trader and he sends it to his Calcutta friend, who cashes the chit, by presenting it in Calcutta office of Ram Bilas. The firm charges a fee sometimes 4 annas per cent. The firm advances money to suppliers of cloth and purchases finished goods and exports them at profit. They keep as pledge ornaments and lend money on that security.

The indigenous banker is a chief factor in the internal trade of the country. He finances all trades in all its grades; only the upper branch is controlled by European banks. Though he charges high interest to cover losses, without his financial aid trade would be crippled, and even artisans would not get their wages. He lends to agriculturists, artisans, workmen and even to capitalists.

Question 3. (a) It must be a big figure. It must be several crores.

(b) They touch the fringe of each trade: (1) advancing to agriculturists, (2) to workmen, (3) to artisans of all kinds, (4) distribution of goods by selling. They are in every known trade.

(d) Between one indigenous bank and another there is co-ordination and each helps the other in his transaction of business. If a defaulter goes to another bank, it realises the dues of his old bank. This is trade honesty. The Imperial Bank of India is the top bank. The dealers transact through the Imperial Bank at times.

The co-operative banks do not play any active part in the trade and business of the country, except the Bengal Provincial Co-operative Bank, which finances jute for its 21 agencies.

Question 4. Hundis are at sight, or on credit for 30 days, 60 days, or 90 days. They are largely availed of in centres where there is no branch of big European banks. Sometime they collect dues of their customers.

Question 5. (i) They issue loans on the supposed hypothecation of goods. They charge interest up to 12 per cent.; cash credits are allowed to approved customers to the extent of his financial stability which is fixed beforehand. Terms are for one month to a year. Transactions take place before witnesses.

(ii) Their own cash and funds and temporary loans from mahajans' deposits placed with them, help them to some extent to carry on business. Deposits might be 20 per cent. of their capital on rough estimate.

(iii) From 9 per cent. to 12 per cent. For short periods it is more. For long periods it is less.

(iv) Their hundies are not generally rediscounted by the Imperial Bank or the Central Bank of India, or the Bank of India.

They might place Government promissory notes with the Imperial Bank of India and obtain overdrafts for the amount and rediscount bills, hundies.

Question 6. (i) The rates of interest vary from 24 per cent. to 48 per cent. In paddy or grain debt the repayment is 50 per cent. above the amount taken.

(ii) If all the loan companies combine and a good number of indigenous bankers combine the desired result would be achieved.

(iii) Yes, the profits would leave much margin for better standard of living.

Question 7. (i) No, none. Sometimes they are cursed as profiteers only.

(ii) Yes, their books of accounts, if properly kept, are recognised in law courts.

(iii) None at present. It would increase personal greed.

(iv) Generally on sound lines, but there are some black sheep who keep two sets of account books and defraud their customers who are not so clever.

(v) The remedy is literacy of the customers. Periodical examination of their books of accounts by inspection of banks would act as check on false entry.

Question 8. (i) They should form themselves into corporate bodies licensed by Act of Government, instead of acting individually.

(iii) A licensing Act might be passed. A power of arbitration to settle disputes regarding account might be allowed to the body.

(iv) They would certainly resent it at first, but would gradually submit later on.

Question 9. The net return would be between 5 per cent. to 7 per cent. on the total working capital utilised. If allowance is made for bad debts, it might be less by $\frac{1}{2}$ per cent.

Question 10. They cannot meet all demands for accommodation and have to refuse customers now and then, sometimes for insufficient security and sometimes for want of funds. It is difficult to mention proportion. It might be half and half.

Question 11. (i) All indigenous bankers federated to a big Indian Bank in Calcutta would serve the purpose.

(ii) If a central reserve bank be established and if all indigenous bankers be affiliated to it, with local branches in each district and subdivision it would serve the purpose. The local directorate at district or subdivisional headquarters should be advisory.

(iii) It is difficult to answer this question. A mixed directorate composed of Indians and Europeans half and half would inspire confidence in the bank. Purely businessmen should be taken.

The local knowledge of the directors who would be businessmen could then be utilised.

(iv) When a large body of indigenous banks are incorporated, the opposition will go away. Let them be shareholders at the first instance.

Question 12. (i) No.

(ii) No. There is concentration of capital at metropolis and big trade centres for other causes.

(iii) These funds cannot be kept in check in any centre. With development of local industries on big scale some money would cease to flow to the capital and be locked up in districts.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (iv) Not as yet.

(v) More branches of recognised banks must first be established.

(vi) Indian women invest in ornaments of gold and silver as a social custom. On an average a woman has ornaments for about Rs. 300, and taking 24 lakhs of people of this district, half to be women, deducting children 2 lakhs, there remains 10 lakhs, $10 \text{ lakhs} \times 300 = 30$ crores in silver and gold. In one district there being 30 crores, 27 districts of Bengal (27×30) = 810 crores lies invested in Bengal in gold and silver. Ornaments lose their 25 per cent. on making and on sale they realise half the cost. There is thus a depreciation of 50 per cent. of capital for nothing. When there is proper banking facilities and people would be sure of getting back capital such habits would disappear and the country would get the benefit of this huge capital of 800 crores. These would give impetus to any number of industries. Women wear ornaments for beauty, as well as for safe savings to fall back upon in case of difficulty.

Question 2. (i) Yes, to some extent, but the low rate of interest offered does not attract many customers.

(ii) Yes, the rate might be increased.

(iii) Rates too low for ordinary public. Post office can safely introduce fixed deposits on sliding scale.

(iv) All classes of people resort to the Post Office Savings Banks.

(v) Yes, by offering higher rates.

(vi) Government competition might not be desirable, but as a special measure, such higher rate postal cash certificate would benefit public and would serve as a national debt.

Question 3. (i) In Calcutta, Government securities can be easily bought and sold. In mufassal there is no market for want of such facilities. The Imperial Bank might open more branches or local banks might do the same. If such facilities are offered in mufassal, the Government promissory notes might be easily bought and sold. Local post offices might do the same. That would bring in some income to post office. People in mufassal generally invest in land for they consider that to be the best of all securities. If all sub-post offices in India could be the agencies for purchasing and sale of Government paper, a big and unlimited field for such transactions would be opened up at once. It is time for considering seriously such a new scheme.

(ii) In the mufassal there are no special or any kind of facilities for purchase of other securities as well. The stock or bonds, Indian or foreign, cannot be bought or sold in any mufassal town. There are no agencies for such purpose. Important towns, with a population of over 20,000, might try to create a market for such sale of stock or bonds, municipal or Port Trust debentures, Indian railway shares, if any reliable stock broker could open up agencies and offer facilities. At present all investments of the agriculturists are locked in land. Many people, even half educated people, have no idea that there might be investments other than on land.

(iii) In a mufassal district town or a subdivisional town, there are three classes of people generally—rich, middle upper and lower, and poor. As to the last, we can safely assume that they have no savings.

As to lower middle class, their margin is low, whatever savings they have, is spent in purchase of land, or having a house or furniture, in educating children and giving their daughters in marriage. As to the upper middle class and the rich, their prime tendency is for purchasing land for they consider that to be best. The lower middle class purchase agricultural land whereas the upper middle class purchase taluks or zemindari rights. They (upper middle and rich) also engage in money-lending business individually. They are money-lenders for the following reasons:—

(1) There is a safe return, for the money and the rate of interest is good from 12 per cent. to 36 per cent. for good investments. There is a proverb in Bengal that one rupee, in half a century of investment, compounded, makes a lakh.

(2) There is a hold on the person who becomes a debtor. There are such incidental advantages, as service for him, as a day labourer, or messenger on occasions.

(3) There are good chances of agricultural holdings and taluk rights and even zemindaries passing into the hands of mahajans. Many rich zemindars of Bengal can trace their origin to money-lending of their forefathers.

(4) Some lendings are given with an eye to property. And a tacked property can never go elsewhere. Such properties are purchased cheaply and easily for accumulated interests are not considered as direct payment.

(5) Pledging business on gold and jewellery also brings in such articles to the money-lender easily and at less than ordinary market price. There is one class of nefarious mahajans who have dealings with the underground world. Thieves and dacoits must have a safe place and party to dispose of their stolen articles. Some mahajans clandestinely purchase such goods at nominal price. Gold and silver and articles worth Rs. 100 are purchased for Rs. 20. And these underground people are given advances to live upon from time to time when their season is dull. It brings in money quickly and the profits are considerable, as the risk is also great for, they do this business with one foot in jail. The police knows them, but will not hunt their place of business for they are heavily bribed. Some of them pay monthly sums to police. Gambling is also another source of income in these underground world.

(iv) Yes, big farmers lend to small farmers. The terms are the same as with mahajans, or there might be stipulation to give so much labour to his field. The farmers big or small invest their savings in land. Whatever they earn in prosperous year is, however, spent up in a lean year. In Bengal the cycle for a lean year is at the close of each third or fifth year. All savings are eaten up.

Question 4. (i) Cheque habit is confined to big metropolitan towns and trade centres only. It is growing but not as quickly as it ought to do. In mufassal centres it is a rarity.

(ii) I think by abolition of the duty, use of cheques is gradually increasing, banks should introduce vernacular cheques to make it popular.

(iii) Upper rich and upper middle classes in big towns and merchants coming at trade centres, big firms and their agencies do use cheques when there are immediate facilities for cashing them.

All payments above Rs. 100 might be by cheques. In mufassal the habit has to be created. Some 25 years ago Government currency notes were rare in mufassal, but within a quarter of a century of its introduction all payments even in villages are by Government currency notes. Silver is now rare. People have been accustomed to Government currency notes and do like it. Cheques might be so by habit.

(iv) Yes, it is worth experimenting.

Question 5. (i) Yes, it is so in all countries. The margin of profit and balance of savings are less in India, hence investments are crude and mostly in land. The idea of valuable security in share and stock purchase has to be taught.

(ii) Want of money. It is a poor country.

(iii) These can be taught by means of subjects in text books from Class VI to Matriculation class. These ought to be ingrained in their childhood. Political Economy Primer ought to be a compulsory subject in Matric.

(iv) It has attracted and focussed all available local capital at centres where there are branches. It has absorbed 90 per cent. of the accounts of other joint stock banks. Other joint stock banks suffer by competition with it. No one can compete with the Imperial Bank of India, and its branches, in India.

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Mr. Manishinath Basu, B.L., Assistant Secretary, Midnapore Central Co-operative Bank, Ltd.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) The agriculturist in my district obtains finance for expenses of cultivation (1) from the village mahajan or (2) from the co-operative credit society, where such society exists in the village. In the former case he either pawns his wife's ornaments or other movables, or executes a mortgage bond in favour of the creditor. Sometimes he gets the loans by executing handnotes or simple bonds and, in some instances, even without executing any document. I know of cases where the simple agriculturist merely signs a blank stamp paper and gets the loan and the rapacious money-lender afterwards fills up the bond inserting any terms he thinks to be to his advantage; it is needless to say, these terms are ruinous to the poor peasant.

(b) The agriculturist in my district spends nothing for capital and permanent improvements; all that he does is to repair the *ails* surrounding a plot of land; this is done in so haphazard a manner, that the repair cannot withstand the ravages of a year. Little or nothing is spent in such repairs. The agriculturist manures his land but that does not effect any permanent improvement.

(c) The agriculturist if he has to contract loans for paying rent or for failure of monsoon, adopts the same method as has been described above.

(ii) The rates of interest generally charged in my district for such advances range from 12 per cent. per annum to 48 per cent. per annum; in rare cases the rate of interest reaches up to 75 per cent. per annum.

Generally, the period or repayment is fixed at about a year after, but sometimes the period is much less and sometimes the period goes up to 3 years.

I have indicated above the nature of the security that is generally accepted; standing crops are rarely accepted as security.

Sometimes the loan taken is doubled and the amount thus obtained is distributed over a period of 6 to 12 years by way of instalments, and provision is made that the debtor will have to pay interest at a high rate in case of default of any instalment either on the defaulted instalment or on the whole amount remaining due at the time.

It is very difficult to form an estimate as to the percentages of secured and unsecured loans in my district. Any such estimate is likely to be wide of the mark. I believe that the percentage of unsecured loans is much higher than the percentage of secured loans.

(iii) The only part which the Government plays in agricultural finance is by issuing taccavi loans in times of distress; sometimes the agriculturist gets remission of a portion of the chaukidari tax in times of similar distress and is thus enabled to employ his scanty resources in agriculture. The taccavi loans are realised from the agriculturists as soon as the crops are cut and gathered.

The Imperial Bank of India, the joint stock banks (none exists in Midnapore), the indigenous banks and bankers (none exists in Midnapore) do not play any part in agricultural finance.

The co-operative banks play a great part in agricultural finance where they exist. These societies issue loans to their members mainly for the purpose of carrying on cultivation, buying seeds and doing other works incidental to agriculture. These societies or banks lend money at a lower rate of interest thus enabling the agriculturists to lay by something for future use.

It is however the professional money-lenders who are the largest suppliers of capital in agricultural finance. They lend money to the agriculturists and thus enable them to buy seeds and carry on cultivation. They however charge such a high rate of interest or impose such hard conditions that the agriculturist is never able to get out of their clutches and is thus in a chronic state of indebtedness.

Merchants and dealers play an important part in agricultural finance. They buy the crops raised by the agriculturist. If the price offered by them is high, the agriculturist is able to repay a great deal of his debts, store up enough seeds for future cultivation, and save some capital for use during next cultivation. If the price offered is low, the agriculturist suffers great distress. The price of crops is no doubt regulated to a great extent by the law of demand and supply. But sometimes the merchants and dealers take advantage of the illiteracy and poverty of the agriculturist and reduce the price to a low figure. The number of merchants and dealers being small and there being scarcely any competition, the agriculturist has to sell his crops at the price offered. Other merchants and dealers supply the agriculturist with the implements of agriculture.

There is no organisation giving credit (e.g., companies trading in fertilisers, etc.) in Midnapore and the poor agriculturist does not know the existence, if any, of such companies.

(iv) I am unable to give any estimate of the total amount of capital required for the various purposes stated above. Any such estimate is likely to be wide of the mark.

(v) There is no real system of financing agriculture at present. Nobody helps the poor peasants in financing agriculture. The Government seems to be supremely indifferent in this respect. It is only when the crops are entirely destroyed and the distress of the agriculturists become very acute, that the Government comes forward with their taccavi loans. In other years the agriculturists have to find out their own finances. They generally resort to village mahajans who make a capital profit out of their distress. The co-operative societies, where they exist, no doubt help the poor agriculturists; but their capital being small, no appreciable benefit is done to the distressed peasants.

The agriculturists are thus financed mostly by the village mahajans. The agriculturists being reckless spendthrifts, these mahajans run a great risk in advancing loans to them. They therefore charge a high rate of interest; another cause for the high rate of interest is the paucity of such mahajans. The agriculturists often fail to pay off these mahajans as these are, as a class, shrewd and realise from the simple illiterate agriculturists who are afraid of offending them, far more than they are entitled to get. There is thus an eternal conflict between labour and capital in which the labour is bound to suffer unless it is more educated and more advanced and unless the monopoly of capital is destroyed.

The remedy therefore must be sought for in measures which would educate the poor agriculturists, make them more thrifty and self-reliant and in measures which would destroy the monopoly of capital such as that which exists at present. I would suggest the establishment of agricultural banks in every village or group of villages by the Government or by the enlightened rich persons, wherefrom systematic loans for financing agriculture may be advanced at a low rate of interest, the interest and principal or a major portion of it being realised as soon as the crops are cut and gathered. These banks will also store seedlings of the various crops that are grown or intended for growing in the neighbourhood. The co-operative societies may also be made to include agricultural banks as a department or the banks may be conducted on co-operative principles. They may be placed under the direct supervision of the Government for some years at the commencement; the Government renouncing control as soon as fit and proper persons are found ready to conduct the business of the bank with profit.

(vi) There is no co-ordination amongst the various credit agencies enumerated above. On the contrary, there is much rivalry between the said agencies (except the Government where it advances taccavi loan). The village mahajans look upon the efforts of other agencies with suspicion as these only serve to diminish the profits which they otherwise might have obtained. I do not think there can be any co-ordination, so long as the various credit agencies for financing agriculture consider themselves to be rivals of one another. At present, the village mahajans are the most powerful of all the credit agencies, as their activities are more resourceful and more widespread than those of the others. There is much scope for improvement if co-ordination is desired amongst the various agencies. Arrangements may be made amongst the agencies that a particular agency is to finance in certain times and under certain circumstances. This will exclude rivalry. But I

do not think that such an arrangement is possible now. These village mahajans are not likely to agree to any terms which are likely to decrease their profit.

Question 2. (i) In some parts of this district the raiyat himself brings the greater portion of his crops to the nearest mart or storehouse (gola) for sale; he disposes of a small portion of his crops at the nearest hât to meet his urgent requirements. The owner of the storehouse or the dealer in paddy buys the crops at the mart and conveys it to suitably situated locality (e.g., Harikhali), whence it is taken to Calcutta and other places for sale. In other parts of the district, the raiyat brings the major portion of his crops to the side of rivers like the Kalighai where the crops are purchased by dealers who carry them to Harikhali, Geonkhali or other conveniently situated places for being carried to Calcutta and other places for sale or export. In some places dealers of paddy buy up the crops and retain them, waiting for a favourable opportunity to sell them off at much higher prices.

Most of the raiyats are unable to hold up his crop for a better price. Being poor, they are entirely dependant on the crop for supply of necessities of life and for payment of rent to the landlords. The price of paddy generally goes up during the rainy season. The poor raiyat cannot afford to wait till then, as in the meantime he has to provide himself and his family with food, apparels and other necessities of life. He has to pay rent to his landlords who are insistent on their dues being immediately paid, as they know full well that the raiyat will soon run through his stock and will not be able to pay rent thereafter. The village mahajan has also to be paid and these money-lenders also wait for the time when the crop will be cut and gathered for a similar reason. Thus the raiyat is compelled to sell his crops at the earliest possible moment at whatever price he gets for them.

Besides paddy, other crops are also grown in this district, but in every case, the raiyat is dependent on the dealers for disposal of the produce. He does not, in fact, get much for his labour and the consumer also has to pay a high price for the produce. The major portion of the profits is thus appropriated by middlemen. Sometimes these middlemen advance loans long before the crops are ripe for harvesting. The raiyats readily accept these amounts which, needless to say, are far below the real price; but they soon spend the amounts thus obtained and thus sink deeper and deeper into poverty.

(ii) In my opinion it is possible to form pools for marketing produce; or else, there should be some co-operative effort to save these raiyats from the condition described above. They are, no doubt, very simple; but some of them are intelligent. With the advance of their education and mending of their habits, they would soon realise the importance of combination amongst themselves for undertaking such enterprises as are now performed by middlemen. Co-operative societies have been successful to some extent in this district, and there is no reason why similar ventures for marketing produce would not be successful. Some paddy sale societies have been started in this district for marketing produce. If they have not attained that success which they deserve, it is mainly because they are not finding adequate market for their produce. A central organisation should be established in Calcutta where all these societies would find a ready market for sale of paddy sent to them. With the success of such ventures, other

co-operative institutions or pools would be established, thus benefiting the poor raiyats.

(iii) There are some co-operative sale societies in our district. The growers of paddy are the members of such societies; and those who want to sell paddy are also its members. The growers of paddy bring paddy to the society for sale; and get a certain amount of profit. If the sale societies thrive, these growers of paddy will get a further profit—the profit which is now appropriated by middlemen—by way of dividends. It should therefore be the endeavour of the Co-operative Department to see that such institutions are established in large numbers and that they thrive.

Sometime ago, a central Depôt was established near Calcutta and these paddy sale societies are linked to it. These societies are at present financed by the co-operative banks to which they are affiliated. Up to this time, they have not experienced any difficulty in obtaining sufficient funds. But their stability is not yet assured; hence the banks lend them money cautiously.

(iv) To my knowledge, no credit facilities required for financing products during marketing exist at present. The middlemen generally perform this part of the work out of their own funds. Even if they borrow, they borrow from money-lenders, to whom they repay the amount with interest, but no special credit facilities exist.

If financing of products during marketing is to be done by organisations, they should be provided with facilities for doing this; for this purpose they should be affiliated to some institution whence they can readily obtain money for the purpose of conveying products to a central mart or market for sale at an adequate price. Without this their whole existence might be useless. They should also be provided with money for keeping the products in stock and preserving them till a time comes when adequate price will be obtained.

(v) As I have no experience of foreign trade I am unable to answer this question. I think there should not be any difference.

(vi) In my district, banks and bankers do not play any part in export or import trade mentioned in the question under reply. But merchants and dealers are at present almost exclusively occupied in the said export and import trades. The merchants and dealers pay the entire expense of the export trade from the hât or gola to the port Harikhal, etc.; but they do not pay the expense of bringing the product from the village to the hât or gola. They have also to bear the cost of preserving the produce during storage or conveyance. Another set of dealers bring these products from the ports to the distributing centres and bear all expenses incident thereto; the consumer buys the products from the distributing centres or from firms and shops which purchase the products from these distributing centres.

(vi-a) As in my district the financing is generally done entirely by a third party independently, on his own account, the question of terms for financing of trade does not arise. The third party mentioned above may consist of one person or a number of persons acting as partners. I do not know of any difficulties experienced in connection with the above financing.

If the ports and distributing centres of the district are located in places where products can be brought easily or with the least possible expenses; or, if that is not practicable, other centres for import and

export are established at places where the produce can be brought, or from where it can be sent on to the port or to the distributing centres with the least possible expense, the cost of transport may be lessened. If the entire cost of transport is paid by a single person or body of persons, financial facilities are likely to improve.

(vi-b) In my district the grower of produce does not get the full value of his produce; but this is not on account of the speculative buying and selling activities of firms and companies who deal in the export trade, for there is no such activity in this district; it may be partly due to the control of prices by outside bodies.

If the growers can control the movement of the produce up to the time when it reaches the consumer or at least up to the time when it reaches the distributing centres they are likely to get the full value of the produce. For this purpose the growers should establish co-operative institutions or joint-stock companies whose sole business would be to transport produce to the distributing centres and ultimately to the consumer. It may be necessary to establish co-operative institutions or joint-stock companies in many places, but as these institutions will co-operate with one another and would be linked together financially these institutions will be able to control the prices. As the growers will combine to form such companies or institutions, they will not only get full value of the produce but will also get a share of the profits which is now entirely obtained by the outsiders.

(vii) I have no reason to think so; in my district.

(viii) The only mode available to the public now is remittance through post office.

Some banks enjoy the privilege of sending money by Remittance Transfer Receipt.

In my district there are no cheques or hundis or negotiable instruments.

(ix) Cheques and hundis or negotiable instruments should be freely introduced. These, however, are instruments of credit and so long as an institution does not establish credit, it is not likely that these would be in current use.

(x), (xi), (xii), (xiii), (xiv) and (xv) Bills, hundis and negotiable instruments are not in use in this district.

(xvi) and (xvii) No such instrument is employed to my knowledge.

Question 3. (i) The value of land per acre varies in different localities. This variation is however due to causes other than growing of different crops. Value of paddy lands per acre varies from Rs. 100 to Rs. 1,000; value of Kala lands per acre from Rs. 40 to Rs. 1,000.

(ii) In my district, lands are generally divided into two classes—

(1) Paddy lands; the value of such lands does not depend on the different kinds of paddy grown.

(2) Kala and Dhosa lands; these lands produce jute and rabi crops, silk cocoons, mats, etc.; and even some kinds of paddy. These lands are therefore in some localities more valuable than paddy lands, and therefore a higher rent is generally assessed on these lands. Now-a-days rabi crops, jute, mat, etc., are only grown in some localities. In many parts of the district nothing is grown on Kala lands. Hence the value of these lands, except in localities where they yield some produce, have considerably gone down.

I have indicated one factor which regulates the value of lands; other factors are—

- (a) The fall in the price of coins resulting in the corresponding rise in the price not only of lands but also of the produce.

The produce of lands is now sold at a much higher price than formerly. Profits measured in coins have also gone up; hence the price of lands is going up.

- (b) Now-a-days there are many who are eager to buy lands. The peasants generally have a reckless desire to buy lands, even if they have to borrow for the said purpose. The result is that there is a large class of people always ready to purchase lands. The value of the land is thus increased by the law of demand and supply.

- (c) If the land is particularly convenient to a certain person, he pays a fancy price for it, if the seller demands it.

- (d) Value of lands also depends on its quality and the quantity of produce.

Hitherto I have been speaking of sales by private negotiation.

But in auction sale by Government, the property generally does not fetch its real value. The value depends on the paucity or sufficiency of bidders, and thus largely on the publication of sale notices. In auction sales by Government the sale notices are, oftener than not, inadequately published and sometimes not published at all. There is nobody to check the returns made by peons who are entrusted with such service. The peons also commit mistakes owing to absence of local knowledge or an identifier. The Sun Set Law also encourages non-publication of sale notices by making provision for setting aside sales only in certain cases and under certain circumstances.

In court sales, better measures are taken for the service of sale proclamations. In many cases, however, the decree-holders suppress sale notices for the purpose of purchasing properties at a low price. The law provides some checks in such cases, but the influential decree-holders do always get round such provisions by winning over persons who might have deposed for the judgment-debtors and by other foul means (such as bribing the peon, etc.). Hence in court sales real value is not obtained as a general rule. This is a notorious fact and is well-known to the judiciary. The presence of a large number of bidders generally tends to raise the price and in some instances, the price paid is far higher than the real price; but such cases are rare.

It is a truism that forced sales do not bring the same price as private sales.

Question 4. (i) There is no legal impediment with regard to land generally, except so far as is laid down in section 6 of the Transfer of Property Act; but there is such impediment in case of agricultural holdings. Section 26 G of the Bengal Tenancy Act prohibits complete usufructuary mortgage by occupancy-raiyat for a period exceeding 15 years. All such mortgages must be registered.

(ii) The amended Bengal Tenancy Act has only been in operation for the last 10 months;—a period quite inadequate for forming any opinion regarding its operation or effect. So far, I do not find that

the credit of the agriculturists has been influenced in any way by its operation. Almost all the agriculturists had no credit before; the amended Bengal Tenancy Act has not yet brought into existence any credit of the agriculturists.

(iii) Smallness of holdings may to some extent stand in the way of long term credit institutions; inasmuch as the security being small, the institutions will not be able to allow the loan to stand for a long time. The money advanced may be allowed to increase so long as the principal and interest do not come up to the value of the property secured.

But the mahajans, in such cases, advance such a small amount as even after 12 years does not come up to the value of the property secured. If such precaution is taken, smallness of holding will not stand in the way of long term credit institutions.

I do not think fragmentation of holdings after mortgage stands in the way of long term credit institutions. If such fragmentation of holdings takes place before the loan is advanced, the above remarks will apply.

(iv) No.

(v) This question does not arise in my district.

(vi) First, regarding land mortgage banks—

The establishment of such banks as co-operative institutions may benefit the people a great deal; but these banks should not be established as rivals of co-operative societies or banks. If land mortgage banks are established and worked on co-operative principles, they would be really so many co-operative societies holding ample securities for the money advanced. The risk attendant being smaller, the interest charged may be made less than what is charged at present by the co-operative societies.

If these banks serve as bankers to the agriculturists these may bring whatever may legitimately be spared out of the harvest to the coffers of the bank. The bank after paying off the rent due to the landlord will appropriate the balance towards the liquidation of its own debts. The landlords will be gratified by timely payment of their own dues. Thus the land mortgage banks may be useful both to the landlords and the tenants. If the tenants' debt to the bank remains unpaid for a long time and it continues to accumulate, provision may be made that the bank will take possession of the secured property and cultivate it, as usufructuary mortgagee; but at the same time paying a reasonable amount to the borrower for his subsistence. Ordinarily all mortgages should be simple mortgages.

Regarding agricultural banks—

I am in favour of establishing such banks throughout the Province in preference to land mortgage banks, for the benefit of the agriculturists. If agricultural banks are established, they should be vested with all the above functions of land mortgage banks; for I do not think rival institutions should be set up in the same locality. I believe that agricultural banks are likely to be more useful than land mortgage banks. The agricultural banks will encourage agriculture by inducing the agriculturists to sow and cultivate various sorts of seedlings for agriculture; they will advance seedlings to the agriculturists whenever they are in need for it. [See my reply to Question 1 (v).]

They may also serve as repositories of all sorts of grains produced by the agriculturists, i.e., the agriculturists will deposit the whole of the crops produced by them in the agricultural bank and the bank will provide means of subsistence for him and his family for the whole of the year until another crop is produced and will, out of the surplus, pay the landlord's dues and the dues of the creditors—as much as is possible to pay. If funds permit, the bank will retain experts who will train the agriculturists in improved methods of cultivation and in improving the soil. Such banks, to be successful, must be conducted by efficient men; as there is considerable dearth of such men in the mufassal, such banks will have to be established in some selected places at first. Here men will be trained to conduct business and gradually agricultural banks will spread over the country, conducted by men trained in the already established banks. The landlords will thus be assured of their dues and of the best use of their lands; the tenants will also gradually be freed of their liabilities; and will be trained to know how to spend. If necessary, these institutions will also advance money or paddy to the agriculturists on the security of their properties. The agricultural banks may also take possession of the agriculturists' properties to recoupe themselves out of the usufruct, where essentially necessary. Such banks will be conducted on co-operative principles and will supersede the co-operative societies now existing; for no rival institution should be maintained. These banks should be unlimited liability societies and should be safeguarded by legislation.

(vii) (a) I do not think it is possible so to prepare and frame the record-of-rights as to exclude the possibility of disputes and claims by parties other than those who are the clients of the bank. If by legislation, the entries in a record-of-rights are made conclusive evidence of the facts represented therein, then only such possibility may be excluded. But there are many difficulties to such a course. The record-of-rights are, in their preliminary stage, prepared by low-paid officers who are prone to all sorts of corruption. Though high-paid officers are subsequently employed to correct such records, they are directed to finish their awfully heavy duties within an incredibly short time. They are asked to enquire into the fact of possession only; they make no enquiries regarding title. As those officers have to come to a decision within an incredibly short time, they cannot take the same degree of interest and care in coming to decision as they otherwise might have done; they have not time enough to take sufficient evidence or to sift and weigh evidence already taken. Thus oftener than not mistakes creep in and it would be unjust to make these entries conclusive evidence of facts represented therein. If it is desired that record-of-rights is to be evidence of ownership, experienced judicial officers should be deputed to mufassal to enquire into the fact of ownership of every plot and sufficient time should be given to them to take evidence of title and possession, to sift such evidence and come to a decision. These decisions should be tested in appeal by experienced judicial officers and in intricate cases by the Hon'ble Judge of the High Court. This would be usurping the functions of a Civil Court; and would involve a good deal of expenditure which it may not be possible for the Government to defray. It has therefore been thought necessary—and I think rightly—that in preparing record-of-rights, the only fact which need be gone into is the question of possession. The entries in a record-of-rights would be more reliable than at present if more time

is devoted or a greater number of capable officers are employed in its preparation.

The record-of-rights as recently prepared in the Midnapore district is not a complex thing and the reference also is simple; it would, however, much facilitate reference if the names of the zeminders, the tenure-holders (if any), the raiyats and the under-raiyats (if any) are all printed on the obverse side and the plots forming a holding on the reverse. Such khatian would also mention the rent payable by the tenure-holders and the raiyat (mentioning the *shamilat* interests where necessary). Particular incidents of the tenancy would also be printed therein and mention should also be made of the title-deeds (if any) of the raiyat (in a raiyati khatian). In the tenure-holders' khatian, the names of the zeminders and tenure-holders should be mentioned and the subordinate interests also should be mentioned. This would save costs of the bank and the tenants to a great extent.

(*rii*) (*b*) In the event of non-payment, the land mortgage banks may be empowered to recover their dues in a manner akin to certificate procedure, as described in the Public Demands Recovery Act. They will be empowered to submit a requisition containing an accurate statement of their demands verified and signed by a responsible officer in the Civil Court having jurisdiction over the area when the cause of action arises. After submission of such requisition a notice will be issued on the judgment-debtor and other subsequent transferees requiring to show cause within a month why the said sum shall not be realised by foreclosure or sale of the mortgaged property. If the judgment-debtor or his transferee shows cause, he will be allowed a month's time to produce his evidence, if any, in support of his allegations. If he does not produce evidence or if he fails to appear in the first instance, the requisition will be made final and at once put into execution. If he appears and produces evidence, a judgment will be passed for the amount which the bank will be found to be entitled to and a final decree passed at once. This will be immediately put into execution and the right of redemption will be allowed only up to time of the sale. In case of mortgage by conditional sale, as soon as the decree will be executed, a notice will be issued to show cause why the right of redemption will not be barred; when no cause is shown, or cause is shown and found to be insufficient, the right of redemption will be barred.

(*rii*) (*c*) I think the costs of reference to the record-of-rights and of registration and of the process at law should be borne entirely by the defaulters themselves and the good constituents of the bank should not bear any portion of the burden.

I further think that copies of record-of-rights should be supplied free of cost or at a nominal cost to these banks, as constant reference to the record-of-rights may be necessary for the good administration of the bank.

(*riii*) If land mortgage banks are established in villages (which would be necessary to enhance their usefulness) I do not think an adequate number of trained men will be found at present who know how to issue or deal with debenture bonds.

If mortgage banks and agricultural banks are established as separate institutions, each will have to find its own capital. Agricultural banks will have to rely mainly on deposits and mortgage banks on debentures. Both will require funds from central institutions to

maintain them so long as adequate deposits are not attracted or debentures issued. I do not think in the present state of the mufassal or in the near future, debentures will be largely subscribed. Debentures can be issued only when the banks will have sufficient credit; this will require time. The people will look with a great deal of suspicion on debentures to which they are not accustomed. So a certain amount of Government help may be necessary. In the first stage, mortgage banks will have to depend largely on funds from central institutions; in the second stage, on deposits; and in the next stage on debentures.

(ix) I have already stated that debenture bonds should carry Government guarantee. At first both principal and interest should be guaranteed by Government; later on the Government will withhold its guarantee regarding capital and only the interest may be guaranteed, as otherwise the authorities of the land mortgage bank would be less energetic in their attempt to attract capital. When the bank acquires sufficient credit Government may withdraw the guarantee with regard to both principal and interest.

(x) The Government will have the right of controlling these banks whenever they are found to be going astray. For this purpose experienced inspectors may be appointed to check the work of the banks at least once a year.

(xi) (i) The agricultural mortgage banks should raise money with Government guarantee—

- (a) With regard to deposits, at a maximum rate of 5 per cent. per annum simple interest, the rate varying according to the period of deposit; and in case of current deposits at 2½ per cent. per annum.
- (b) With regard to funds from central institutions, at a rate or rates of interest allowed by such institutions but not exceeding the above rate or rates.
- (c) With regard to debentures at the maximum rate of 6 per cent. per annum simple interest payable 20 years hence.

(ii) The agricultural mortgage banks should raise money without Government guarantee—

- (a) With regard to deposits, at a maximum rate of 6½ per cent. per annum simple interest, the rate varying according to the period of deposit; and in case of current deposits at 3 per cent. per annum.
- (b) With regard to funds from central institutions, at a rate or rates of interest allowed by such institutions but not exceeding the above rate or rates.
- (c) With regard to debentures, at the maximum rate of 7 per cent. per annum simple interest payable 20 years hence.

(xii) Yes.

(xiii) I think the system of "cash credits" obtaining in Scotch banks may be introduced with the introduction of agricultural banks or land mortgage banks. A farmer needing seed or stock but having no money wherewith to buy it would obtain a cash credit from the agriculture bank with which he regularly transacts business; as soon as he gets any money or the paddy grown in his fields, he should pay some portion of it into the bank and by doing so, at once would reduce

the sum on which he will have to pay interest. The cash credit system is advantageous for all parties. The security is also sound as the bank should give cash credit only to regular customers—persons, of whose solvency they are able to judge. On such and other occasions also, these persons will obtain an advance on current account from the banks and may negotiate the sum thus obtained on long term credit keeping the sum deposited in the bank on current account as security.

If these banks are formed on co-operative unlimited liability principles, there would be no want of sound security; and advances for long terms may be obtained and if necessary made negotiable.

Question 5. (i)—

Names of Societies.	Number of members.	Their debt before joining the society.	Their debt in June 1929.	Number of non-members.	Their debt as far as could be ascertained.
		Rs.	Rs.		Rs.
Mukundapore	50	2,892	1,552	200	20,000
Basantia	39	1,867	3,125	161	15,000
Chakhajratpore ..	38	2,818	4,435	212	25,000
Jagannath Chak ..	37	4,938	3,430	63	8,000

(ii) Such estimate may be obtained by sending a person to make enquiries regarding the indebtedness of the agricultural classes. This is now done by supervisors of central co-operative banks, with regard to the members of a society affiliated to the bank.

(iv) The debts were incurred for items (a), (b), (d) and (f) and in some cases for (c) and (f) and (g).

(v) In my district, the creditors of agricultural classes are generally not the Government indigenous bankers or banks but the co-operative societies and professional money-lenders. The major portion of the debt is due to the last named class, but in some localities, the co-operative societies have greatly supplanted the money-lenders and the major portion of the debt is due to them.

(vi) Recently I had occasion to take the statistics of certain villages in the district of Midnapore for the purpose of comparing the former and present indebtedness of the agricultural classes; I find in some cases the indebtedness has slightly decreased; in some cases it has slightly increased.

(vii) The agriculturists of our district do not avail themselves of the provisions of the Land Improvement Loans Act of 1883 owing to ignorance. They try to get the benefit of the Agriculturists' Loans Act, of 1884 in times of severe distress only. Their needs are not fully met by the taccavi grants made by the Government.

(viii) The applications for loans should be made at once to the Subdivisional Officer or Collector who should depute a Circle Officer to enquire into the statement made therein. The enquiry should be finished as expeditiously as possible with regard to matters specified

in rule 5 of the Government rules on the subject. If a Circle Officer is not available, any other reliable officer may be deputed for the above purpose.

(ix) Yes.

Some of the Kabulis in my part of the district has printed hand-notes whereon they lend money at usurious rates of interest, not less than 2 annas per rupee per month, generally much higher. In case of default after a certain time they make demand of payment and after this they institute suits on the hand-notes. There are others who generally lend money to illiterate people of the villages and commit various acts of oppression on these poor defenceless and powerless peasants. These acts of oppression have now become almost a by-word.

(x) I know of one instance where Rs. 30 was borrowed on a hand-note bearing interest at the rate of one pice per rupee per diem.

(xi) The Usurious Loans Act is no doubt availed of in my locality; but some courts try to explain its provisions in favour of the creditors. I think a provision should be added that in cases of dubious construction of a section, the courts should always construe in favour of the debtors.

(xii) No.

(xiii) Sometimes bonds for larger amounts are taken.

(xiv) I have already indicated the lines on which the raiyats can get loan of seeds and paddy from agricultural banks while discussing question 4 (vi) and have also indicated how such loan can be easily paid off.

(xv) The prevalent rate of interest of paddy loan in my part of the district (Sabang and Pingla thanas) is 25 per cent. per annum with yearly rests. In some localities it is higher and in some it is lower.

(xvi) Rates of interest on money loans—from one per cent. per month to 4 per cent. per month and sometimes even higher and compounded yearly in some cases [see reply to question 1 (ii)].

Rates of interest on paddy loans—from 18½ per cent. per annum to 37½ per cent. per annum and sometimes even higher and compounded yearly in all cases.

In calculating interest, interest is charged for the entire month in which the loan is taken but not for the month in which it is paid. It is not calculated according to the exact time in which the loan is made use of by the borrower.

The creditors generally enforce payment of their due by seizing the agricultural produce of a peasant. If the debt was contracted by pledge of ornaments, they are seldom redeemed. Sometimes the peasants are obliged to sell their movables and immovable properties to pay off their debts.

(xvii) Yes; but I cannot say exactly whether a large number of efficient farmers are being turned into tenants-at-will or only a small number of them. The present amended Bengal Tenancy Act by rendering the under-raiyats not ejectable at will has done a great service. Now, therefore, the efficient farmers cannot be turned into tenants-at-will but they may be made tenants for a period by registered contract.

(xviii) If the farmers are turned into tenants-at-will or tenants for a limited period, this certainly takes away from them the incentive to produce more and in an efficient and better way.

Question 6. (i) Rice-milling, gur-making, garden produce, mat-weaving, cloth-weaving, manufacture of brass utensils and utensils made of an alloy of brass and copper exist in my district, but I have not much experience regarding them.

(ii) In my opinion, rice-milling should not be encouraged but gur-making and garden produce and other manufactures should be encouraged. As I have not much experience, I am unable to suggest methods. Generally, I may remark that there is not sufficient market for garden produce, etc. The industries would be encouraged if we can find ready market and sufficient return.

(iii) In former times, the peasants and their wives used to spin in their spare time. They used to bring such yarns to the nearest lât where they were sold. The peasants may spin yarns, weave mats, make gunnies and gur, rear silk cocoons and grow all sorts of vegetables during seasons when paddy is not on the land. Many of the above industries existed at one time in my district but have gradually died out for want of market and probably owing to competition.

(iv) and (v) The best method of securing capital for such enterprises is either by establishing agricultural banks one of whose objects would be to supply capital for these enterprises after taking steps to train the peasants properly or by establishing co-operative societies with the object of furthering or developing such industries. But unless we can find market for the goods manufactured, these societies or banks are bound to go to liquidation after a time.

The working capital of these co-operative societies would consist mainly of share capital derived from members and of deposits received from outsiders and also of funds obtained as loans from central institutions. As regards the working capital of agricultural banks, I have already discussed the subject.

Question 6B. (i) Almost none.

The non-agriculturists have to resort to professional money-lenders for obtaining loans. Some years ago, the fishermen of Dubda village formed a co-operative society for the purpose of carrying on their caste profession. The fishermen of Ballavpore in the town of Midnapore have also similarly formed themselves into a society.

(ii) The purposes for which the non-agriculturists borrow are manifold; some of them are stated below:—

- (a) Repayment of previous debts.
- (b) Marriage of daughters and sometimes of sons.
- (c) Famine and other kinds of distress.
- (d) Litigation—Both civil and criminal.
- (e) Payment of land revenue and rent.
- (f) The conduct of their profession.
- (g) Household expenses, including education of children.

The rate of interest in case of unsecured loans is higher than in case of secured loans. The rates of interest are the same as stated above.

(iii) The Tamluk Loan Office sometimes lends money to middle-class gentlemen and service-holders. But its area of operation is small. The Government does not help the non-agriculturists or middle-class people; the service-holders may get some advance out of their Provident Fund. There are no indigenous bankers in the district. I have already said that there are two co-operative societies of fishermen.

I think that the non-agriculturists, the service-holders and the middle-class men all should form themselves into co-operative societies, to give them better financial facilities. The central co-operative banks may also be empowered to advance loans to such persons out of the surplus money remaining after advance of loans to affiliated societies. These advances may be made on security of immovable properties. But these persons must buy shares of the co-operative banks from which they borrow money.

(iv) The indebtedness amongst the middle-class men and service-holders is on the increase; but amongst other non-agriculturists, is much the same as before.

Question 7. (i) The co-operative banks are not related in any way to the joint-stock banks or indigenous banks (of which, there is none) in the district. They are remotely connected with the Imperial Bank of India through the Provincial Co-operative Bank.

(ii) The Midnapore Central Bank has not adopted the system of long term and short term loans; but there are other banks of the district which have adopted the system. I have no actual experience of the working of the system. There is no difficulty in the matter of finance with regard to long term loans. but there may be such difficulty with regard to short term loans. The interest charged is lower but most of the societies cannot repay within the time allotted. The books of account have to be amended or written twice over converting short term loan to a long term loan.

(iii) No amount of extra capital is required at present to finance co-operative movement as it now exists in this district. If it expands further, extra capital may be required, but it is impossible now to guess how much capital would be required in future.

(iv) and (v) In Midnapore town there is no other bank and the Midnapore Central Co-operative Bank has not to compete with any other bank. In the Tamluk subdivision there is a loan office; but there also there is no real competition.

The fact is, the central co-operative banks lend money to co-operative societies only and not to individuals. The loan offices lend money to individuals and not to any societies. So there is no real competition between them. The only competition which may take place would be with regard to the attraction of fixed and current deposits.

For the same reason, there cannot be any competition between the branch of the Imperial Bank of India and a co-operative bank.

(vi) I do not think that any great effort would be necessary to stimulate the growth of co-operative movement in this district; the

movement seems to be well established here. But at the same time, it is desirable that there should be a reduction of fees regarding money remitted through post office for the purpose to add to the profits of the society (if not to stimulate the growth of the movement), which is latterly not making much headway in this district.

Question 7A. (i) I think this is desirable.

(ii) Yes. The present scope of investment is very narrow. The result is that a large amount of surplus money lies idle to the considerable detriment of the bank.

(iii) Free inter-lending of funds between co-operative banks and joint-stock banks would not be in strict conformity with the principles of co-operation. That would convert the central co-operative banks into loan offices and would encourage the directors of a co-operative bank to lend or borrow money on unsafe or speculative terms. It would not be just to jeopardise the constituents of the bank by investing money in companies over which the Registrar has no control and whose mode of operation or financial condition is not well-known. Besides this, even if the joint-stock company is in a flourishing state, if the terms of investment are favourable the major portion of capital of the co-operative bank may be invested here; and the co-operative societies, to finance which the bank was started, may starve; thus the co-operative movement may receive a set-back. But at the same time the surplus money of the Central Co-operative Bank has got to be invested somewhere whence adequate profit may be obtained. Hence it is necessary to empower the Co-operative banks to invest their surplus funds at any place whence adequate profit may be obtained; at the same time there should be some check to prevent any such contingency as has been mentioned before.

(iv) This is practically covered by question 7 (i).

(v) If the co-operative central banks undertake remittances of money from one place to another, I do not think there could be an infringement of any of the provisions of the Co-operative Societies Act. The by-laws may be amended where necessary.

Question 7B. (i) No appreciable effect is discernible in rural areas regarding rates of interest on account of the establishment of co-operative societies.

The rate of interest on money loans has no doubt decreased; but this is not due to the establishment of co-operative societies as this is found also in localities where co-operative societies do not exist. This is due to a larger amount of capital seeking investment. The amount of paddy available for lending has not increased; hence the rate of interest on paddy loans has not been affected. These remarks apply both to secured and unsecured loans.

(ii) The co-operative credit societies cannot be said (in their present state) to have replaced the professional money-lenders absolutely. These societies have rarely been able to attract local deposits. They rely for finance mainly on central banks. The capital of these central institutions being limited and the societies affiliated to them large, all the needs of the members of the societies cannot be met out of the loans granted. Besides this, the members of these societies have not learnt thrift and are reckless regarding expenditure; therefore their needs or alleged needs are great. Hence they have to go to professional money-lenders to satisfy their wants.

or imaginary wants. Further the activities of these co-operative societies are limited to their members alone. Those who are not members have to depend on professional money-lenders still.

At the same time, it must be said that the co-operative societies have replaced the money-lenders to a great extent, and in some localities, absolutely.

(iii) The main difficulty regarding the rapid spread of co-operative banks (i.e., societies) in rural areas is want of education. The people are not sufficiently literate to keep books of account; or to deal with money according to rules. The unlimited liability system also deters persons residing in rural areas from forming into a corporate body. The rule is very good by itself, but the moral tone requiring such sacrifice is wanting in many instances. Further, the people having contracted bad habits do not want to be bound by hard and fast rules which mostly conflict with their habits.

They are, however, so much oppressed by money-lenders that there is a keen desire abroad for the establishment of co-operative societies.

93.

**Rai Sahib Satyanshu Kumar Sinha, Honorary Secretary,
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Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) Agriculturists obtain finance—(1) for expenses during cultivation from—

- (a) his own savings, savings kept apart if any,
- (b) debts (generally money or paddy or both) from village money-lenders or mahajans,
- (c) co-operative societies,
- (d) supply of seeds, manure, etc., from the Department of Agriculture (few cases);

(2) for capital and permanent improvements from—

- (a) debts from village mahajans,
- (b) co-operative societies,
- (c) Government under Land Improvements Loans Act of 1883 and the Agriculturists' Loans Act of 1884 (very rare);

(3) for special needs (failure of monsoon) from—

- (a) Government (Takavi)—rare,
- (b) co-operative societies,
- (c) loans from local money-lenders (generally),
- (d) private relief (from landlords and other well-to-do men of the village);

(4) for special needs (land revenue, rent, etc.) from—

- (a) co-operative societies,
- (b) loans from local money-lenders.

(ii) Rates of interest charged by village money-lenders or mahajans vary from 24 per cent. to 75 per cent. per annum.

The loans generally run over long periods. Security is mortgage of agricultural lands, houses, other landed property, standing crops, pledge of ornaments or utensils (in a few cases).

Rates of interest charged by co-operative societies are $7\frac{1}{2}$ per cent. to $12\frac{1}{2}$ per cent. per annum on short term and long term loans. Short term loans are for one year and long term loans are for 3 or 4 years.

Security is personal honesty and membership in the village society.

Rate of interest charged by Government generally is $6\frac{1}{2}$ per cent. per annum. Period generally from 2 to 3 years.

About 90 per cent. of the debt of the agriculturist to the village mahajan is secured debt.

(iii) Government provides agricultural finance under the Land Improvements Loans Act of 1883 and the Agriculturists' Loans Act of 1884 and also by supply of seeds and manure and implements from the Agricultural Department of Government (few cases).

Imperial Banks keeps in deposit Government treasury balances, receives deposits from joint-stock banks, co-operative banks, private bankers, private persons, etc., and lends to joint stock banks, private bankers, who in their turn help agriculturists (few cases).

Joint stock banks receive deposits, etc., and lend on mortgage of property to big agriculturists and also to private bankers and mahajans, who in their turn lend to agriculturists.

Co-operative banks lend to agriculturists who are their members.

Village money-lenders or mahajans are the chief source of the agriculturists' finance. They advance money on sufficient securities on high rates of interests. They take many unfair advantages by compelling the debtor to sell his produce at cheap rates and ultimately taking hold of their lands, etc.

(iv) Approximately two crores of rupees will be necessary for the district.

(v) The chief defect in the present system of agricultural finance is that the village mahajan, who plays the most important part, has his grip tight over the agriculturist. The demand for money is great but the supply is inadequate. The agriculturists are mostly illiterate and ignorant. The mahajan takes advantage of that. The co-operative societies have made some progress in freeing the agriculturist from the hands of the mahajan, but their membership is inadequate and their resources limited. There are also defects in co-operative finance. There are many formalities to be gone through, and sometimes by the time the formalities are completed the need is over. There is also defect in that the distinction between short term loan (that is, loan for crop requirements) and long term loans is not properly understood.

More co-operative societies should be formed and membership increased. Short term loans should be given by cash credit system. Each member of the society should be adequately financed and more limited liability credit societies formed. Facilities should be provided to get the co-operative societies in touch with the larger money market.

(vi) There does not seem to be any co-ordination among the various credit agencies.

Greater facilities should be given to co-operative central banks by the Imperial Bank and Government.

Question 2. (i) Paddy is the principal crop in the Burdwan district. It is generally collected by beparies or paikars, who go about from village to village. The bepari sometimes purchases on his own account and sometimes as commission agent for the aratdar who has his arat in the town.

The bepari who purchases on his own account also sells to the town aratdar. The town aratdar sells to the big aratdar in Calcutta. The big aratdar in Calcutta sells to the exporter. Sometimes the town aratdar sells to the local rice mills who sell rice to big aratdars, in Calcutta or elsewhere. The town aratdar very rarely sells to the exporter direct.

There are a number of middlemen in marketing the crop. Sometimes the exporter has his agents and sub-agents who are local people acting on commission or pay. They sometimes advance money to the producer before the crop is raised and sometimes buy in the hats.

The raiyat is unable to hold up his crop for a better price for, in most cases, he is under debt to the local mahajan to whom he has contracted to sell the paddy. Sometimes he has to sell for pressing family needs and for payment of rents and also for meeting expenses of social and religious ceremonies. He has no knowledge of the current market price.

(ii) There are great possibilities of co-operative effort for marketing produce. Co-operative paddy sale and supply societies should be formed and Government should help these societies to enable them to compete with the big aratdars.

(iii) There are 3 co-operative sale societies in this district but they have not as yet commenced work.

(iv) The credit facilities required for financing products during marketing are adequate financing of co-operative sale societies.

Facilities actually existing are advances given to the aratdars by the local bankers and joint stock banks and discounting their bills by the joint-stock banks.

(v) In regard to such facilities there does not appear to be any special difference as between internal trade and foreign trade. Only foreign trade is carried on on a bigger scale and requires larger amount of money.

(vi) (a) The exchange banks discount the export bills of the exporter. The joint-stock banks finance the middlemen such as the big aratdars. The local and private banker finances the town aratdars and the co-operative banks finance the producers where there are sale societies. Sometimes the agents and sub-agents of the exporter and aratdar advance money to the producer before the crop is raised and also buy in hats.

(b) The import trade is also conducted through several middlemen. The big importer, who is sometimes agent of a foreign importer, is financed by the exchange banks. The big merchants who buy from the importer on credit or cash are financed by the joint stock banks. They sell to their agents in town or independent town merchants, who again sell retail or to the village shopkeeper, who supplies the villager on credit or cash.

(vi-a) The joint stock banks and local mahajans and bankers advance them money on a higher rate of interest than in the slack season. Yes, some of them are in trouble for want of adequate finance at that time. At that time in every town, where there are central co-operative banks or urban co-operative banks, Government or Imperial Bank should finance them through the central co-operative bank or urban co-operative banks or reliable joint-stock companies and the Co-operative Societies Act should be amended in such a way that loan to them may be given.

(vi-b) The grower of produce in India does not get the full value for his produce on account of the control of prices by the several middlemen and the producer's own ignorance of the outside world and his illiteracy. It has actually been seen that the producer asks the buyer when the buyer comes to his door, what price the producer will get for his produce. He never demands his own price but accepts the buyer's offer as the current market price.

Co-operative sale and purchase societies should be formed in large numbers to ensure a better return to growers of produce in India.

(vii) The lack of banking facilities to persons engaged in the movement of the principal crops is due partly to borrowers' lack of credit, want of organisation and partly to the position of monopoly enjoyed by buyers and also to want of a definite standard of quality.

(viii) Cheques, bills of exchange, hundis, postal money orders and insurance, demand drafts, bank letters of credit, bank post bills, remittance transfer receipts, supply bills, etc.

(ix) Greater facilities may be given to the public through different central co-operative banks and further concession by R. T. R. and reduction of rate of supply bills, bills of exchange, etc. Where there are no branches of the Imperial Bank selected central co-operative banks should be given the Treasury works on terms like the Imperial Bank.

(x) Negotiable instruments like cheques, bills of exchange, hundis, etc., play a great part in financing internal trades.

Banks discount bills of exchange and hundis of traders and advance money. Proper possession of those bills create right to receive money.

Payment from one part of the country to another is made by cheques. These should be made more popular and the people should be encouraged to form banking habits.

(xi) *Reduction of duty on bills.*—Standardised forms of bills of exchange provide additional currency. Further facilities to be given to co-operative banks in respect of R. T. R. and other facilities by reduction of rates of insurance and money-order commissions in case of co-operative societies.

(xii) Hundis payable on sight and also for terms varying from one to 3 months.

(xiii) Standardised forms on stamped paper is desirable for uniformity and easy transaction.

(xiv) Hundis emanating in this locality are not discounted in the local centre but they are generally sent to Calcutta for discounting. These are also held by merchants and commission agents at Calcutta and other places.

(xv) No.

(xvi) Railway receipt, sola bill of exchange.

Question 3. (i) Paddy is the main crop in this district. In some lands potato and sugarcane are also grown. Paddy lands sell from Rs. 100 to Rs. 1,500 per acre.

(ii) The main factor affecting value of land is the presence or absence of irrigation facilities.

There are also private reasons affecting value, for instance—proximity of the particular land to the purchaser's other lands, etc.

In private sales lands fetch the highest value because the seller can approach various persons and generally contiguous owners pay a high value. Court sales generally fetch small value because there is always a chance of litigation. Revenue sales fetch higher value than other court sales because revenue sales have got fixed dates, and many respectable persons attend the sale and there is no difficulty about title as revenue sales are not generally set aside.

Question 4. (i) There is practically no legal impediment to mortgage of land and agricultural holdings in this province.

(ii) It is too premature to say anything at present.

(iv) The Naogaon Co-operative Land Mortgage Bank is the only land mortgage bank. There is no other such institution.

(v) It has raised capital by issuing shares to members and taking long term deposits.

They provide long term loans on mortgage of land.

It also allows cash credit for ordinary agricultural expenses to those who take long term loans for clearing his debts to mahajans.

(vi) Owners of land should join together to form land mortgage co-operative banks on a share basis. They should be allowed to take loans at any time from the society on a mortgage of their lands. Lands are to be valued by qualified and duly appointed appraisers. The amount of loan to each member should not exceed half the current market value of his lands. The rate of interest on the loan to be moderate, but it should necessarily be a little higher than the bank has to pay to depositors. The kists of repayment should be small running over a number of years, not exceeding twenty. The interest and the annual kist should be paid by the borrower regularly and he should not allow the lands to deteriorate in value.

(vii) (b) Realization of dues of the bank by authorising the Collector or such other public officer and not the Civil Court to exercise the power of foreclosure or sale and the realisation of dues by the certificate procedure.

(c) The bank should be given copies of record-of-rights either free of charge or at a nominal charge.

(viii) (a) The working capital of the proposed mortgage bank should be derived largely from—

(a) long term deposits;

(b) central land mortgage banks may be established at district headquarters if possible, which can take long-term deposits, and lend to banks affiliated to it. The existing central co-operative banks require liquid assets and cannot allow long-term loans;

(c) Debenture bonds are quite feasible. They may be issued for a number of years.

(ix) In the land mortgage banks, if the debentures carry Government guarantee both for principal and interest it will create confidence in the public mind and the debentures will be readily sold.

(x) The directorate of the banks may be mixed, consisting of some elected directors and some appointed by Government. Government may also provide for strict supervision and audit by qualified Government appointed auditors and Government should have the first charge upon assets of the land mortgage banks.

(xi) With Government guarantee at bank rate or without Government guarantee, at $\frac{1}{2}$ per cent. higher than that.

They should lend out at 9 to 12 per cent.

(xii) Yes.

(xiii) Co-operative societies as at present constituted might provide for long term credit, but this should be done on sound security, e.g., mortgage of land, etc., on the lines of the land mortgage bank above mentioned.

Joint stock banks may also provide for long term loans on sound security such as mortgage of land or other real property.

The deposits received in such cases by the co-operative societies or the joint stock banks should be long term deposits.

The deposits may also be of the nature of Postal Cash Certificates for long terms.

Question 5. (i) No.

(v) Mostly this is due to local mahajans.

(vii) The Land Improvements Loans Act of 1883 and the Agriculturists' Loans Act of 1884 are very little resorted to at present, unless there is a general failure of crops and general distress.

(viii) Less official red-tapism and lesser formalities or handing over this money to central co-operative banks on the application of central co-operative banks.

(ix) "Kabulis" are found in the villages but not so much as in the towns. They are not resorted to by the better class. Those who have no credit in the village generally borrow from the Kabulis. Their loans are generally unsecured, of small amounts, and at high rates of interest. They lend small sums of money and go on taking interest year after year. Once a man borrows from a Kabuli his debt is very rarely repaid.

(xi) The Usurious Loans Act (X of 1918) is not much availed of here. A standard rate of interest should be fixed by Government for each district so that as soon as higher rate is charged the Court can at once disallow it.

(xii) There does not appear to be any standard rate of interest for Courts. The Courts decree interest at the rate contracted for up to the date of the suit. From the date of suit up to the date of realisation the rate of interest allowed by Courts is 6 per cent.

(xiii) The Usurious Loans Act not being operative, there does not seem to arise much occasion for it. But in some cases the local Marwaris take bonds for higher sums than that actually lent.

(xiv) The Department of Agriculture may take the matter of supplying seeds and paddy to the raiyat in normal times and may realise it at harvest season. Government should have such godowns in every thana.

(xv) Interest on paddy loan varies from 33 per cent. per annum to 50 per cent. per annum with yearly rests.

(xvi) The agriculturist generally takes loan of paddy in the cultivation season—Asar, Sraban or Bhadra. He has to pay up in the next Pous or Magh with interest at the rate of 33 per cent. or 50 per cent. If he fails to pay the interest is added to the principal, and in next Pous or Magh he has to pay up with interest on the whole at the above rate. This process goes on till final realisation, which happens very rarely. When lending, the lender generally takes the signature or thumb impression of the borrower in a Khata book or hatchita on one anna stamp. When the borrower goes on making part payments every year the lender generally does not have recourse to Courts. The lender generally presses for payment in the borrower's *khamar* when the paddy is threshed. In extreme cases the borrower goes to Court and obtains a decree on the khata.

(xvii) A large number of people are losing their lands and becoming tenants-at-will through the process of enforcement of old debts. Landed property is passing on to the hands of creditors.

(xviii) Incentive to permanently improve his land is taken away from the agriculturist.

Question 6. (i) Small subsidiary industries allied or supplemental to agriculture are very rare now-a-days.

Hand spinning and weaving, metal working, etc., etc., are occasionally found.

(ii) Co-operative supply and sale societies may be formed. Such societies may arrange for supply of raw materials and marketing of finished products. Such societies may stimulate such industries by eliminating middlemen and enabling the agriculturists to hold up the finished product for adequate price. They may educate the agriculturist to a better standard of living and stimulate such industries. Government should substantially help such societies.

(iii) Spinning wheel (charka), weaving, metal working, dyeing, rope-making, knitting, lace-making, etc., may give employment to the farmer during slack seasons and may enable him to supplement his income and raise his standard of living.

(iv) Industrial banks may be formed to provide working capital for such enterprises. In the absence of such banks, the existing banks (co-operative and others) may provide for cash credit for such industries.

(v) Imperial Bank, industrial bank and co-operative banks.

Question 6A. (i) Fixed capital is raised—

- (a) by issue of shares,
- (b) by advance from banks on the security of well known directors,
- (c) Sometimes managing agents provide capital.

Circulating capital is derived from—

- (a) joint stock banks,
- (b) industrial banks,

on security of land, factory buildings, implements, machinery, raw materials, etc.

(ii) Large amount of paid up share capital may be raised, and long term deposits secured by industrial banks and they may advance money on the above securities.

Question 6B. (i) There are very little facility for obtaining loans by day-labourers, fishermen, small traders, etc., of the poorer class. They generally get small loans from exacting local money-lenders or Kabulis. There is one Municipal Methars and Sweepers' Co-operative Society at Burdwan. The municipal methars and sweepers take loans from that Society.

Service holders and middle class men generally have some lands here and there. They get loans from local money-lenders either on personal security (when the amount is small) or on mortgage of their lands at home (when the amount is large). Government servants sometimes get advances from Government.

There is one Government Ministerial Officers' Co-operative Society, one Civil Court Ministerial Officers' Co-operative Society and a Postal Employees' Co-operative Society at Burdwan.

The Criminal Court Ministerial Officers, the Civil Court Ministerial Officers and the Postal Employees get loans from their respective societies.

(ii) They generally borrow for failure of crops, for marriages, srads and such other ceremonial occasions. They sometimes borrow for medical treatment in cases of long continued serious illness of members of their family.

Rates of interest in cases of unsecured small loans (and also of unsecured in the case of service holders and middle-class gentlemen of the better sort) vary from 18 per cent. to 50 per cent.

The members of the co-operative societies mentioned in 6-B (i) get loans at rates varying from 12½ per cent. per annum.

(iii) Government gives advances to its employees. Co-operative banks lend to members at small rates of interest. Joint-stock banks, indigenous bankers also give advances.

Co-operative credit societies may be organised among different classes of men. Unlimited liabilities abolished and the members should be financed adequately.

Question 7. (i) There is no antagonism to the co-operative banks in the country.

Co-operative banks help small people with moderate capital and train them in banking habits and make them fit for business with institutions such as joint-stock banks.

Co-operative banks keep their surplus money in the Imperial Bank, which thus acts as a central institution. The Imperial Bank also renders some financial help to the co-operative banks, but that is very small.

But the Imperial Bank as well as the joint-stock banks do not still appear to have sufficient confidence in the co-operative banks and their help to co-operative banks is very inadequate.

(ii) In the primary co-operative societies share capital and deposit of members are inadequate.

Central co-operative banks finance the primary societies both with short and long term loans. Co-operative societies are not much in

touch with the larger money market. Imperial Bank and joint stock banks should give greater facilities to co-operative banks. The difficulty of giving really long term loans, i.e., loans from 10 to 20 years is that the deposits are for shorter periods. Long term deposits should be secured by the central banks either by Government guaranteed debentures or something like Postal Cash Certificates with Government guarantee.

(iii) At least a crore of rupees will be required.

(iv) In this district only at Asansol there are branches of the Imperial Bank and Central Bank of India but the Central Bank of India branch at Asansol has recently been abolished. No competition with co-operative banks.

(vi) (a) Exemption from attachment of money in a co-operative society for private debts.

(b) Further exemption from income tax, stamp duties and registration fees.

(c) Simple procedure for liquidation proceedings.

(d) Realisation of all dues to co-operative societies by certificate procedure.

(e) Lien of the society upon certain property of the borrowing members.

(f) Reduction of postal money order and insurance fees.

(g) Further R. T. R. facilities.

(h) Further Post Office Savings Bank facilities.

(i) Inclusion of provincial co-operative bank debentures in the list of trustee securities, etc., may be granted to the societies.

Central co-operative banks may be allowed to have accounts with the Treasury, just as district board municipalities have, in places where there is no branches of the Imperial Bank.

Where there is no branch of the Imperial Bank at the district headquarters, selected central co-operative banks may be entrusted with Treasury works.

Question 7A. (i) Co-operative central banks may be permitted to grant loans to depositors against their deposits, and also to individual members.

(ii) Yes, it is desirable.

(iii) Free inter-lending of funds between co-operative societies and joint stock banks and loan offices may be permitted on special enquiry—limits being fixed in every case.

(iv) Practically there are no relations between them and they do not help each other.

(v) Almost all the central co-operative banks have accounts with the Bengal Provincial Co-operative Bank. Central co-operative banks in Bengal may remit money from each other through the Provincial Bank. The provincial banks may adjust accounts of those central banks and do the needful easily.

Some central banks in Bengal have accounts with the Imperial Bank. In places, in and outside Bengal where there are branches of the Imperial Bank of India, remittances may be made through the

Imperial Bank. Imperial Banks should give greater facilities to co-operative banks in this matter.

When there is neither a co-operative central bank nor a branch of the Imperial Bank, remittance is difficult and can only be made through the post office.

Question 7B. (i) The effect of the establishment of co-operative societies in rural areas has been to reduce the prevailing rates of interest to great degree both on secured and unsecured loans.

(ii) Professional money-lenders have been replaced to a great extent by co-operative banks. But in the case of big loans the professional money-lenders have got the monopoly.

(iii) The factors that operate against the rapid spread of co-operative banks are—

- (a) opposition of exacting money-lenders,
- (b) want of mutual confidence among the villagers in some villages,
- (c) joint and several liability,
- (d) inadequate financing of rural societies.

Part II.—Indigenous Banking.

Question 1. The indigenous banker combines trade with money-lending business. He lends money on mortgage of real property and also gives unsecured loans. He holds lands. Does commission business, discounts bills, etc., and speculates heavily.

In villages he purchases the produce of lands. He is sometimes the local agent of some big export or import firm, village shop-keeper and money-lender.

Question 2. The indigenous banker is a necessary evil. In times of distress he is the chief source of finance of the agriculturist. In ordinary times also he helps the agriculturist with loans for cultivation expenses and other occasional necessities. Small traders and industrialists are also helped by the indigenous banker.

Question 5. (i) The indigenous banker, being a local man, is thoroughly acquainted with the financial condition of the people who borrow from him. He lends money on mortgage of land, house or other property.

Sometimes the indigenous banker supplies the agriculturist with the ordinary necessities of life and thus gets him more under his control.

Rate of interest is 25 per cent. to 75 per cent. per annum. The debtor, who is generally illiterate and ignorant, has also to rely on the creditor in matters of accounting, etc.

(ii) Funds are generally supplied from the banker's own money. He generally combines money-lending with other business. Very little deposits are attracted by him. He sometimes borrows from a fellow banker at a moderate rate of interest.

(iv) Indigenous bankers in Calcutta and other principal towns have sufficient facilities of discounting hundis.

Question 6. (i) Rates of interest vary from 25 per cent to 75 per cent. per annum.

(ii) Rates of interest can only be brought down by organisation of co-operative societies, whenever possible, by increasing the membership of these societies as much as possible, and by enlisting the bankers as members of the societies and by central banks getting some money from Government at Bank rate or $\frac{1}{2}$ per cent. higher than Bank rate.

(iii) Reduction of such rates would certainly confer great benefit on the agricultural community.

Question 7. (i) There is great prejudice against the indigenous banker.

(ii) They are sufficiently protected.

(iii) No.

(iv) Their dealings are sound in their own way as they get good security, arbitrary rates of interest and are protected in law, but injurious to the agriculturist who has to pay exorbitant rate of interest and is harassed in many other ways and often loses his lands and house in the end.

Question 8. (i) Rate of interest to be levied by them should be fixed by Local Government with regard to local conditions.

Question 9. Twelve to 25 per cent.

Question 10. The indigenous banks and bankers are not able to meet all demands with their limited means.

They are very cautious about the security. Insufficient security and insufficient capital are both causes of occasional refusal by these bankers.

Question 11. (i) If they can be induced to become members of co-operative societies and deposit their money in the societies, the surplus money of the societies may be deposited in central co-operative banks, and surplus money of central banks may be deposited in the provincial co-operative bank or with the Imperial Bank of India.

(ii) The indigenous banker may be very conveniently connected with the larger money market through the co-operative banks.

(iii) The co-operative bank will be a concern of the indigenous banker himself and will best inspire his confidence, and he, having knowledge of the local people, will very well help the co-operative bank.

(iv) By being himself a member of the co-operative bank he will have no competition with it.

Question 12. (i) The resources of the indigenous banker are limited. His money is generally invested.

(ii) No.

(iii) They being members of co-operative societies and depositing in their own societies, their money will be very well utilised locally.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) The Imperial Bank with its branches, the joint-stock banks, the co-operative banks, the post office savings banks, the exchange banks, the indigenous banks.

(iii) The Imperial Bank with its branches, the joint stock banks, the co-operative banks, the post office savings banks, the postal cash certificates, Government securities, shares of public companies, debentures, etc.

(iv) Facilities for investment are not quite adequate.

(v) Co-operative banks may be established in every village and people taught to confide in these banks.

(vi) The people of India have a tendency to invest in silver and gold, but 90 per cent. of the people are agriculturists and they have very little to invest.

Question 2. (i) Postal Cash Certificates are popular, but there is field for increase of the popularity by propaganda and greater facility for investment.

(ii) The rate of interest requires to be slightly increased and terms of issue shortened a little.

(iii) The maximum amount of deposit in a year may be increased, the rate of interest raised a little, vernacular pass books may be issued, number of savings banks may be increased, greater facilities for withdrawal may be given.

(iv) Mostly middle-class men resort to Post Office Savings Banks.

(v) Increase of the number of savings banks in interior villages, slightly greater rate of interest, issue of vernacular pass books, greater facilities of withdrawal, propaganda, etc., may attract the illiterate agriculturists. Amount deposited in savings banks may be allowed to be transferred easily to other villages and places by book adjustment.

Question 3. (i) Deduction of income-tax at the highest rate on interest on all Government securities is a great drawback. The small investor, whose total income is not even taxable at all, is harassed very much.

The existing facilities for sale and purchase are not sufficient for the small agriculturist.

Total exemption from income-tax on interest up to a certain limit and greater facilities for purchase and sale are necessary.

(ii) Public bodies like Municipal Corporations, Improvement Trust, Port Commissioners, etc., float debentures. Big industrial companies issue shares. The Imperial Bank, joint stock banks, etc., underwrite the debentures and shares and sell these.

(iii) On sale of produce the small agriculturist pays the major portion of the sale-proceeds to the mahajan and also pays rent to the landlord and keeps the balance at home for household expenses. In a prosperous year the mahajan gets repayment to a greater degree. Surplus, if any, is spent in marriages and other ceremonies.

The mahajan class keeps the money in hand for lending at the proper time.

The better class of agriculturists, in prosperous years, generally spend the surplus in repairs of homesteads, improvement of lands and such other occasional uses.

(iv) An ordinary agriculturist has rarely money to lend to a fellow-agriculturist. He has practically speaking no capital.

The ordinary middle-class people, who earn from abroad, are now generally depositing their surplus money in banks, etc., but they have to withdraw the money and spend it on occasions of daughter's marriage and *sradh*, etc.

The upper middle-class keep some of their money in banks and invest some in ornaments, etc.

Investment in lands seems to be decreasing.

Question 4. (i) The cheque habit is growing very slowly in India.

The use of cheques is confined to presidency towns and big commercial towns.

The Europeans in India make free use of cheques. Among Indians only the educated upper-class sometimes make use of cheques for large payments. The advantages of cheque currency, its ease, economy, etc., are yet unknown to the working classes.

The higher standard of business morality, density of population, mutual acquaintance and better understanding, which are requisites for the extensive use of cheques, are not much to be found in India.

Government treasuries and big zemindary estates do not accept payment by cheques at all.

(ii) The abolition of stamp duty on cheques has increased the popularity of cheques, but that is mostly among people who had already been using cheques.

(iii) Cheques are mainly used by Europeans and other big merchants and the upper middle-class people. Ordinary people, not to speak of small agriculturists and labourers, etc., make very little use of cheques.

Government servants and bank employees may be paid by cheques sums above Rs. 100.

More facilities should be given by banks for encashment of cheques.

(iv) Vernacular scripts on cheques and on deposit receipts of banks may be introduced.

Rules of deposit, etc., of banks may be printed in the vernacular and distributed.

Question 5. (i) Banking and investment habit in India is of very slow growth.

(ii) The number of banks in India is very small.

The people are mostly illiterate and ignorant.

The great number of failures of banks have shaken the confidence of people in banks.

94.

Mr. Mani Mohan Ghosh, B.L., Secretary, Central Co-operative Bank, Rampurhat (Birbhum).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) Expenses during cultivation are obtained (1) through the village mahajan. Grain debts for subsistence during growing of paddy and marketing of the same, the usual rate of interest being 50 per cent. and also cash debts for the purchase of agricultural

implements and manures, e.g., oil-cakes, etc., the rate of interest being one anna per rupee per month, which works out to 75 per cent.

(2) Through co-operative societies.—There is only one grain bank at Paikor, which advances paddy loan at 37½ per cent. speculated interest for the year. The activity of the said society at Paikor is so very small that it has little or no effect on the prevailing grain loans (derhy system) of the area. An increase of such societies may contribute to undermine the activities of the mahajans in exacting high rate of interest from the raiyats. The most usual form of advances by the co-operative societies is cash loan at 12½ per cent. and 15½ per cent. interest per annum. Security is the unlimited liability of the members.

These loans are generally short term loans given at the time of cultivation and payable at the next harvest.

(b) For capital and permanent improvements.—Mortgage loans on properties by private mahajans at various rates of interest, the usual minimum being 25 per cent.

The co-operative societies have introduced loans on long terms at 15½ per cent. interest per annum payable by different instalments in not more than five years.

(c) For other special needs, e.g., failure of monsoon, etc.—In case of any reverses of nature, Takavi loans by Government is given in addition to the two sources of finance mentioned above.

These loans are issued to those who are not members of co-operative societies. Rate of interest charged is 6½ per cent. In 1928 these loans were issued in this subdivision but they seem to be quite inadequate to cope with demand and necessity of the raiyats.

(ii) Answers are given in 1 (i) above.

(iii) The financing bodies in villages are mainly the mahajans and co-operative banks. More often than not the mahajans are on the look-out for appropriating to themselves the major portion and sometimes the whole of the property of the cultivators. The village mahajan instead of being a help has remained an impediment to the agriculturist, guided as they are by their strong motive of personal gain. The rate of interest is abnormal and the raiyats lose all their properties being unable to pay these heavy debts. The co-operative societies, by providing easy credit and facilities of borrowing, have proved somewhat a remedy for the distress of the agriculturists, but the insufficiency of funds stand in the way and also men who dictate the policy from outside are apt to view the agriculturists from their own standpoints and are rather unsympathetic in realising their grievances and real want of money. The sparing advance which is often made to them is not sufficient to provide for the contingencies of the whole year, for which reason they are forced to seek fresh loans from outside mahajans. They in their turn try to wreak their vengeance as they look upon the co-operative societies as alien and rival institutions.

So long as their piece-meal arrangement continues, the objects of a co-operative society are likely to be defeated in the end. A co-operative society should be a guiding centre in an agricultural village by properly ministering to the wants of the raiyats and remaining a true banker by supplying all sorts of informations and all facilities to him in his trade.

The members in their turn should be faithful to the institution and must be guided in their financial policy entirely by the co-operative bank by virtue of his pledging unlimited liability to it. The best measure for overcoming the agricultural distress, and at the same time improving it at a cheaper cost, appears to be a co-operative society if run on the right lines and true co-operative principles.

Question 2. (i) The raiyat who, before crop is grown, takes heavy advances from the local mahajans, who are also aratdars, sells his crop to them immediately after the harvest. Sometimes it is a condition precedent to granting advance that the cultivator should not sell his crop to any other mahajan but to the particular one who gave the advance. The more fortunate among them, who are not bound by any such contract, take their produce for sale to the local rice mills at Sainthia, Mollarpur and Rampurhat.

There are buying houses in the interior that purchase locally and later on bring their produce to Sainthia or the other two stations which consume almost all the paddy of the subdivision. Sainthia, which is a big paddy mart, is not only the outlet of the subdivision but of the whole district. The raiyat is unable to wait to sell his produce in a better market for the following reasons:—

- (i) He is completely under the clutches of village mahajans;
- (ii) chronic want urges him to dispose his crop immediately;
- (iii) want of proper training to foresee the possibility of a better return and judge the market correctly;
- (iv) there are middlemen who take advantage of the ignorance of the raiyats and cheat them;
- (v) there is an element of speculation in waiting for a better market, but the timid cultivator is not prepared to undergo the risk which is involved in speculation.

(ii) Concerted action seems to be the only possible remedy in pooling the small resources of the agriculturists. A co-operative society is expected to meet all the grievances mentioned above.

The most prominent impediments to co-operative effort in this direction are:—

(a) Competition of the already established firms and middlemen, and (b) want of proper men (real business men with expert knowledge of marketing and shrewd business propensities) to guide the concern.

(vi) The village co-operative societies in existence already support agricultural finance by short term loans. Mortgage banks should not encroach upon the province of such co-operative societies, but work in co-ordination with them and tackle questions of larger finance.

Question 5. (vi) With the inception of the co-operative movement there has been an increase in the agricultural indebtedness, but the effect of such indebtedness has, for all practical purposes, been good inasmuch as cheap credit has enabled the individual cultivator to borrow according to his requirements and thus save his property, which he otherwise would have lost.

(vii) Have not been of any practical use for tackling agricultural indebtedness.

(xi) The Act is practically inoperative.

Question 7-A. (i) In the mercantile banks the depositors have a right to draw on the bank on the security of the deposits, but a co-operative central bank, objects of which are different from those of a mercantile bank, should not advance money to depositors or individuals. If any such concession is shown, the rural finance would run the risk of being neglected, but the rural finance is the principal concern of a central co-operative bank. Urban banks, which are mostly non-agricultural, are like loan offices, and questions of financing individuals are tackled there.

(ii) No.

Question 7-B. (i) It has checked the mischievous activities of the village mahajans and also brought down the extraordinary high rate of interests.

(ii) The factors that operate against rapid spread of the co-operative movement are:—

(a) Odium that attaches to official contact, direct or indirect; (b) scant knowledge of agriculturists about the co-operative principles; (c) complete illiteracy of the masses has caused it to centre round people who are just competent enough to keep accounts. The rest try to keep away from the movement as they have little or no voice in the management.

95.

Mr. Supati Ranjan Nag, Honorary Secretary, Dacca Co-operative Industrial Union, Ltd., Dacca.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (v) & (vi), 2 (ii) & (ix), 5 (vi), 6 (iv) & (v), 6A, 6B and 7A (i) Agriculturists are mostly illiterate and improvident. They take loans from village *mahajans* as well as from co-operative rural societies and also from Government when available. Indebtedness in India is on the increase without a proportionate increase in the productive capacity. There is no co-ordination among the credit agencies. The co-operative credit institutions, as at present organised, are of little value and service. To improve the economic and other conditions of the peasant class and other people, the following programme may be adopted with necessary changes being effected in the Co-operative Societies Act:—

(1) To establish one co-operative society in every village.

(2) To enlist the agriculturists as well as small industrialists as members with unlimited or different degrees of limited liability according to the circumstances of each person.

(3) To clear all the existing outside debts of the members and to bind them to the rule that they cannot incur any debts from any other source, and if incurred, the debt will not be legally realisable.

(4) No one should be admitted as member who is hopelessly in debt.

(5) All the produce of the members, agricultural and industrial, shall be placed at the disposal of the co-operative society which shall dispose them to the best advantage of its members, if placed or sold elsewhere, the society will have a right to seize the same.

(6) Members will get loans, advances against their produce and immovable properties so as to meet their just requirements and not more. Members shall be required to conform to the decisions of the society in regard to their land, crop, implements, cattle, fertilisers, seeds, industrial pursuits, machineries, etc.

(7) The society will be managed by the Panchayet or Board of Directors formed by the members themselves but in the beginning there should be official or nominated non-official members on the Board to teach the village members the true principles of co-operation.

(8) A member who has satisfied all his debts will be entitled to resign his membership.

(9) To make the society a success and an attraction to the impoverished peasant, one whole-hearted self-sacrificing Secretary or President is necessary who should be vested with necessary executive powers. Many such men may not be available at a time but there are workers and volunteers with experience who may join if duly invited with a sincere desire for the good of the peasants.

(10) These societies should be affiliated to a subdivisinal central society who shall finance these co-operative societies.

(11) These central societies should be again affiliated to a District Central Society who again to a divisional or provincial society.

(12) The central societies should finance the subordinate societies and dispose of their produce and help them in other ways.

(13) Imperial Bank shall finance the provincial society according to its requirements at a rate not exceeding 6 per cent. per annum.

(14) Provincial Bank shall dispose such of the produce as is required by the district central societies.

(15) Middlemen, except the central societies, should be eliminated in the marketing of the produce of the societies.

(16) Provincial Bank shall have power to issue paper currency under proper safeguard. The productive capacity of the village members should be taken as of cash value in calculating the reserve against the paper currency.

(17) Use of metallic money should be discouraged and remittance of money should be by hundis up to a certain extent from one society to another or to central society and back, free of charge.

(18) There should be paper currency for all moneys from Re. 1 upward.

(19) Government should have sufficient staff to supervise, inspect and audit the workings of these co-operative institutions

(20) Government should grant much more money as long-term loans for these institutions than as at present.

(21) The village societies may undertake the Municipal works, provide dispensaries, schools, primary, secondary and technical, within their jurisdiction for which district boards also should make due grants.

(22) The village societies will undertake supply of raw materials and training of their members in suitable industries.

(23) The subdivisional and district central societies will admit deserving residents of the subdivision or district as the case may be, as individual members who may require financial assistance for their legitimate pursuits, industrial or otherwise and shall be entitled to have all their outside debts cleared by taking loans from the society.

(24) All the pay or produce of the members must be placed at the disposal of the society who will maintain separate accounts for each such member and shall dispose of their produce or pay to the best advantage of the members and shall grant advance or loan to meet the just requirements of the members and not more. Such member may resign his membership after all his debts are satisfied.

(25) All the societies shall be entitled to receive deposits from members and non-members and also to grant loans to non-members against their deposits.

In my opinion any improvement of the present system, monetary or banking, will be only a patchwork and though may result in temporary good to some section of people, will ultimately fail to do any real and lasting good. Our present condition requires a very close supervision and control of our individual finance. The entire system has to be changed. A regular schooling is necessary to bring about a real improvement of our economic, agricultural and industrial position.

The old glands have to be taken out and in and through co-operative institutions, new blood of fellowship, rigorous economy and enterprise should be injected and infused in our body politic.

96.

Mr. Kamal Krishna Adhicary, Secretary, Kandi Central Co-operative Bank and Commissioner, Kandi Municipality (Murshidabad).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a), (b) and (c) Generally the agriculturist class of the Kandi subdivision have to look to the local mahajans for obtaining finance for the purposes mentioned in the question. Sometimes the Government issues agricultural loans in the years of scarcity. And a limited percentage is financed by the co-operative societies.

(ii) With the mahajans the rate of interest generally varies from 18 per cent. per annum to 37½ per cent. per annum according to the nature of the security and the amount of loan, good security and big amount carrying smaller rate of interest. No special attention is paid to the length of time at the time of issuing loans. It generally depends upon the good feeling between the parties and the nature of security. In rate cases interest in excess of 37½ per cent. per annum is charged. The securities given and accepted are of various kinds—landed property and ornaments being the chief among them, and in some cases standing crop and other moveable properties. To solvent parties loans are also advanced on promissory notes without any security.

In cases of Government Agricultural loans it has been seen that loans are advanced to agriculturists at an interest of 6½ per cent. per annum without any security but adopting a procedure very similar to the unlimited liability of co-operative rural societies.

Co-operative rural societies advance to their members only at an interest of 12½ per cent. per annum on loans for one year and 15 per cent. per annum on loans for 3 years.

It is difficult to ascertain the percentages of secured and unsecured loans, but the percentage of the latter to agriculturists of this subdivision can be said to be negligible.

(iii) Government plays little or no part in agricultural finance, its advances being made on special occasions like scarcity.

Imperial Bank of India, joint stock banks, indigenous banks and bankers.—There are no such institutions in this subdivision.

Co-operative banks advance loans generally at the time of cultivation and the part played by them is not inconsiderable though limited to the members only.

Professional money-lenders.—There is no distinct class of professional money-lenders in this subdivision. But there are people who invest their surplus savings and are the mainstay of people outside the co-operative movement. In cases of necessity the members of co-operative societies also have to look to them for finance.

Merchants and dealers carry on money-lending business along with their own business.

Organisations, e.g., companies dealing in fertilisers, play no part here.

(iv) Not possible.

(v) Excepting co-operative banks there is no regular system of financing agriculture in this subdivision, but this is limited to the members only. Extensive capital may remedy this defect.

(vi) No such co-ordination exists.

Question 2.—(i) Winter rice is the principal crop of this subdivision. (1) In unhusked state it is purchased by the buyers by sending agents to the agriculturists. (2) A portion is sold by the agriculturists to the neighbouring mill-owners.

In its husked state, that is, when made into rice by the agriculturists themselves, they are sent to the marts of the subdivisional and the district headquarters and also in other important trade centres where they get a ready market. This is the main way of disposing of the crop.

The economic condition of the agriculturists oftentimes forces them to sell off generally at the disadvantageous market. They cannot hold up their crop for better price.

(ii) There is much scope here of forming pools and co-operative efforts for marketing the produce.

(iii) to (vii) These questions do not apply in this subdivision.

(viii) Excepting the postal remittance there is no other facility for internal remittance available to the public.

(ix) This question does not arise.

(x) to (xx) These questions do not apply.

Question 3.—(i) Subdivision Kandi—

Paddy lands—Rs. 150 to Rs. 450 per acre according to the quality of lands.

Lands yielding aus paddy and rabi crops, etc. (i.e., two crops in a year)—Rs. 300 to Rs. 600 per acre.

Sugarcane, mulberry lands—Rs. 300 to Rs. 600 per acre.

(ii) (a), (b) and (c) The above values are fetched in private negotiations. The value of the crops determines the value of lands. The lands do not fetch their proper value in Government auction sales and Court sales for want of bidders. In revenue sales and in sales by Court decrees the bidders seldom bid more than 10 to 15 times the gross assets of the property. In purchases by private negotiation the price goes up to 20 times the assets according to the nature and circumstances of the property.

Question 4.—(i) and (ii) There is no other legal impediment, to our knowledge, to mortgage of lands and agricultural holdings excepting the new section 26G of the Bengal Tenancy Act which has limited the raiyats' right to give usufructuary mortgage in lieu of interest and also usufructuary mortgage for indefinite period. This also has affected the credit of agriculturists.

(iii) The smallness and fragmentation of agricultural holdings have not as yet stood in the way of raising funds in this subdivision and it is hoped that they may not stand in the way of establishing long-term credit institutions.

(iv) There is no such long-term credit institutions in this subdivision.

(v) Does not arise.

(vi) The local people are generally averse to disclose their indebtedness to persons other than those whom they know lifelong. They are also unwilling to go to any sort of banking firms for borrowing money, because the latter are very keen about the antecedents of the borrowers. This characteristic of the people is one of the main causes of the slow growth of co-operative credit societies. It was also seen during famine and scarcity time that people prefer to go to local mahajans for loans on high interest than to come to Government for loans under Agriculturists' Loans Act which bear a very low rate of interest. As such, establishment of any bank will not be likely to flourish.

(vii) to (xiii) Do not arise.

Question 5.—(i) Not possible.

(ii) The only means is to collect statistics from the local Sub-Registrar's office and to compile figures therefrom. This will give a general idea and not an accurate one.

(iii) (a) and (b) The amount of debt is mostly on land security and they are generally registered. Debts against any other assets, all on general security without a specific pledge, is seldom met with.

(iv) Debts are generally incurred for items mentioned in (a), (b), (c) and (d) and occasionally on (e) and (f).

(v) These debts are mostly due to professional money-lenders and seldom to Co-operative Societies.

(vi) The general view is that owing to constant failure of crops, the agricultural indebtedness in this locality has a tendency to increase.

(vii) Excepting in the time of scarcity, practically no attempt is made to meet the needs by the Acts in question.

(viii) Does not arise, vide answer to question 4 (vi).

(ix) Itinerant money-lenders, such as Kabulis, are to be found in this part of the country in sufficient number since the last scarcity year 1334 B. S. They invest money generally among the agricultural and the labouring classes and in good many cases amongst middle class people. They have established a flourishing money-lending business here. The rate of interest charged is 2 annas per rupee per month, i.e., 150 per cent. per annum. Money is advanced on promissory notes which are generally printed in English and the money is made payable, according to the printed form and without the knowledge of the borrower, at various places from one end of British India to the other. Harassing cases are sometimes brought against people by such Kabulis at distant places. The interest money is realised by them personally regularly every month and that, too, with a good deal of the proverbial Kabuli-zuloom. If they eventually come to law courts, relief is granted to the unfortunate debtors, otherwise not.

(x) No concrete example can be cited.

(xi) The Usurious Loans Act is applied in a good number of cases and relief granted.

Nothing to suggest.

(xii) No such standard rate.

(xiii) No specific instance can be given. The debtors sometimes take the plea of part payment by the creditor out of the principal named in bonds in courts but they cannot always substantiate the plea.

(xiv) Organisations, such as co-operative dharmagolas, will meet the purpose.

(xv) Generally 50 per cent. and in particular cases 25 per cent. and 37½ per cent. over the amount of paddy advanced is charged as interest, provided the debt is paid off when the next crop is harvested, failing which compound interest at the rate of 50 per cent. is charged. These paddy loans are always paid in kind and very seldom in its money value.

(xvi) In money loans 25 to 37½ per cent. per annum is the normal rate of interest. Compound interests are not generally charged if the payment is made within the stipulated period. In cases of default, resort to civil courts is the only method for enforcing the payment.

(xvii) Such instances are occasional. In majority of the cases both the creditors and the debtors are agriculturists. Landlords are not generally the money-lenders.

(xviii) Agricultural ventures are practically unknown in this sub-division. The primitive method of tilling the soil and of fertilising with the cow-dung manure or with the silts of old dried up tanks are the processes still in vogue with the agriculturist money-lenders or with the poor cultivator debtor. So any deterioration or improvement in the cultivation of the soil or of the growing of the produce is not applicable here.

On the face of these circumstances, if the proprietary right also passes to the hands of the creditors, there remains very little incentive with the cultivator to produce more and in an efficient and better manner.

Question 6.—(i) Nothing properly so called.

(ii) Does not arise.

(iii) to (v) Cocoon-rearing on a large scale which was once a flourishing business here and which art is known to almost all the cultivators may be suggested as a remedy. But owing to introduction of artificial silk which is selling at a cheaper rate and which has practically captured the market this indigenous industry is gradually dying out. Any means to stop this influx of artificial silk will indirectly act as an incentive to revive this decaying trade. No other particular form of industry can be suggested with better advantages.

But difficulty will always arise as to securing the working capital for a big venture. The only financing machinery which can be suggested is the Government.

Question 6A.—(i) Small industries, such as conch-shell industry, bellmetal industry, etc., are private enterprises now.

But there is scope for organising these small industries and making them very profitable concerns.

(ii) The question of providing financing facilities cannot be dealt with now without formulating a definite practical scheme.

Attempts were made by the Kandi Central Co-operative Bank through its supervisors to organise co-operative societies consisting of these artisans but requisite number of members willing to adopt unlimited liability could not be obtained.

Question 6B.—(i) No other facilities except resorting to local mahajans.

(ii) Purposes are various:—

- (a) Repayment of earlier debts.
- (b) Marriage and other social occasions.
- (c) Litigation.
- (d) Famine and other kinds of distress.
- (e) Payment of land revenue or rent.
- (f) Purchase of implements for their special trade.
- (g) House-building and repairs.

The rate of interest varies between 24 and 37½ per cent. per annum.

Practically there is no difference between secured and unsecured loans.

(iii) The co-operative banks only are in some cases helping them. Establishment of more co-operative banks may provide help to a larger extent to these people.

(iv) There is a tendency to the increase of indebtedness among these classes of people.

Question 7.—(i) There are no other rival banks in the locality.

(ii) Difficulties—

- (a) Rupees 250 being generally the maximum limit of indebtedness of a member at a time. Increase may be made with the permission of the Central Bank, but such permission is granted only to very solvent members.

- (b) Co-operative Banks generally involve very cumbersome procedure, which is not always appreciated by the common people.
- (c) The central financing organisations cannot sometimes come up to the needs of their constituents.
- (d) Repayments of loans are sought to be enforced by the stipulated period. Non-payment of loans often stops further advances.

(iii) There are, on a rough estimate, at least 250 villages in this subdivision which may be called rather prosperous. It may be said that the co-operative movement will be a fairly representative one, if at least 400 rural societies be formed with an average working capital of Rs. 2,000 each. This would require a total working capital of Rs. 8,00,000. There are at present 120 co-operative societies with a total working capital of Rs. 1,50,000. Two hundred and eighty more societies may be formed and condition of the present societies may be improved by providing extra capital of Rs. 800 each. So the extra capital required would be arrived at by calculating the difference between Rs. 8,00,000 and Rs. 1,50,000, that is, Rs. 6,50,000.

(iv) and (v) No.

(vi) There is room enough for granting further concessions as suggested in the question in order to stimulate the growth of the co-operative movement.

Question 7A.—(i) It is not desirable that central banks should advance loans to individual members. A central bank, from its very constitution and nature of working, is meant for financing and supervising the working of its constituent societies. Central banks issue loans to agricultural societies with unlimited liability. This fact goes a great way in attracting capital, for investors would always seek for safest place for their investments. If loans are granted to individual members, they will necessarily be loans with limited liability. This dual function of central banks will affect their credit and lower their status. The opening of co-operative urban banks in an extensive scale may be encouraged to provide for non-agricultural credit, if necessary.

As regards loans to depositors, it is a debatable point. But such loans may be advanced on special circumstances as special loans on the security of the deposits. In such cases, central banks will not have to incur any risk and will at the same time reap some benefits in the form of propaganda or popularity among the depositing public.

(ii) So far as section 32 of the Co-operative Societies Act II of 1912 stands at present, necessity for further relaxation of the restrictions has not yet been felt.

(iii) The audit system as at present obtained in joint stock banks including loan offices does not seem to inspire full confidence in people. The question of interlending of funds as suggested may come in when joint stock banks would be ready to adopt the same procedure of audit as is done at present by co-operative banks.

(iv) There is no joint stock bank in the locality. So the question cannot be answered.

(v) Banking business as remittances of money from one place to another may be undertaken through the medium of the Bengal Provincial Co-operative Bank, Ltd.

Question 7B.—(i) In places where co-operative societies have been opened in rural areas it has the effect of rescuing to some extent the agriculturists from the ever-increasing liability to the local mahajans and has also saved them from alienating their lands to those greedy mahajans.

(ii) As the funds at the command of the local co-operative societies are very limited, they have not been able to replace the professional money-lenders to any considerable extent. No concrete example can be cited.

(iii) The factors that operate against the rapid spread of co-operative banks in rural areas are—

(a) Illiteracy of the mass.

(b) Shortness of the fund of the co-operative banks.

(c) Never ending liability of the agriculturists to the mahajans.

(d) Joint and several liability of the members under the Co-operative Societies Act.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—(a), (b) and (c) There are no other loan offices or banks in this subdivision except the co-operative societies.

Questions 2 to 12.—These questions do not arise so far as this subdivision is concerned.

Part II.—Indigenous Banking.

Questions in this section cannot be answered as there is no such organisation in this subdivision as Indigenous Banking as suggested by the definition.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) Existing banking resources in this subdivision are (a) savings of middle class people and (b) capital invested by mahajans.

(ii) No.

(iii) The means or institutions for encouragement of savings and investment habit are (a) Post Office Savings Bank; (b) Government loans; (c) deposits in the co-operative banks; and (d) loans to co-villagers.

(iv) There is much scope for providing facilities for investment.

(v) The existing facilities may be improved and extended in the smaller interior places by (a) extension of Post Office Savings Bank and (b) increasing the rate of interest.

(vi) Nothing in particular excepting the habit of making ornaments which, besides being articles of luxury and vanity, are regarded useful in some quarters for easy means of raising loans in cases of need.

Question 2.—(i) and (ii) These two clauses may be answered together. Postal Cash Certificates are popular to a degree. They can be made more so by (a) raising the rate of interest and (b) reducing the initial period of one year for which no return is paid or guaranteed.

(iii) Vide answer to question 1 (v) of this section.

(iv) Generally middle class people.

(v) Higher rate of interest will perhaps attract the landlord and the mahajan class. Illiteracy of the agricultural class stands in the way of their coming to invest their surplus in these banks.

(vi) Those who look for more security of the capital invest in Postal Cash Certificates and those who look for a higher rate of interest with a certain sense of security lay out in Co-operative Societies, the only banking institution in the locality.

The fact that there is some sort of competition as alleged cannot be gainsaid. There will be the likelihood of greater competition if the recommendations as suggested above be given effect to.

Question 3.—(i) and (ii) Nothing in particular.

(iii) The agricultural and middle class people are generally improvident. The money which comes into their hands by sale of produce or through any other cause are mostly spent away in repayment of earlier debts, payment of rent and in litigation. In case of any surplus they invest it in small loans to the co-villagers.

(iv) Farmers generally lend paddy to fellow agriculturists at an interest varying from 25 per cent. to 50 per cent. on condition of repayment at the next harvest.

Question 4.—(i) The cheque system is altogether unknown in this subdivision.

(ii) and (iv) Do not arise.

(iv) The co-operative banks use vernacular scripts in all affairs but they use English scripts in the cheque system wherever they exist along with other banks.

To the majority of population the English scripts being unfamiliar, there may be some prejudice against them. The vernacular scripts may be used with greater advantage if adopted at least as an alternative measure.

Question 5.—(i) The banking and investment habit of the people of India in general can be said to be of a very slow growth. This fact will be corroborated by the small proportion of the number of banks established to the number of population.

(ii) The causes to which this slow growth of banking habit in the people may be attributed at least in this subdivision, seem to be the (a) lack of general education; (b) the generally low economic condition of the people due greatly to want of adequate and cheaper financing.

(iii) The idea of educating the people of the subdivision to invest their savings in productive undertakings, e.g., propaganda by Government in regard to Government loans for capital expenditure, etc., is only feasible when there will be spread of general education in the country.

(iv) No branch of the Imperial Bank of India has been opened in this subdivision.

97.

**Mr. M. M. Ray, Secretary, Kishorganj Central Co-operative Bank, Ltd.,
Kishorganj (Mymensingh).**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturists may be classed under two heads:—

(a) Those who are in affluent circumstances and generally finance themselves for all purposes and take to borrowing under special circumstances only, and

(b) those who are indigent and live from hand to mouth and always seek the help of money-lenders. In this part of the country, the village money-lenders generally finance the agriculturists and co-operative central banks which are of recent growth also supply money to those who have formed themselves into co-operative rural societies with unlimited liabilities.

(ii) Rates of interest vary from 75 per cent to 90 per cent. with private money-lenders and joint stock banks including loan companies, while the co-operative central banks advance money to their constituent societies at 10 per cent. allowing rebate at $\frac{7}{8}$ per cent to those who repay their loans punctually according to the kists fixed. Loans are taken generally for three years from the private money-lenders, while co-operative central banks advance money to be repaid in easy instalments extending over three years.

Private money-lenders and joint stock banks advance money on personal security as well as on the security of immoveable properties. Standing crops are not accepted as security for loans.

Question 2. (i) Jute, paddy, sugarcane, mustard and pulse are the principal crops of this district. Most of the raiyats sell their productions in the nearest market as soon as they are ready for sale, to meet their daily needs. A very few of them can store them or wait for a better market. Some of the raiyats even make forward sales of their crops by taking advances from the money-lenders who make a good bargain by taking advantage of the poverty of the peasants. Thus a raiyat would take an advance in March or April on condition of delivering jute at Rs. 3 or Rs. 4 per maund in August or September following.

(ii) The raiyats would welcome any co-operative effort in marketing their productions.

(iii) Co-operative jute sale societies are being established in this district. They are registered under the Co-operative Societies Act, II of 1912, and constituted of members, agriculturists and non-agriculturists, who subscribe to the share capital of such societies. They are linked to the Co-operative Wholesale Society at Calcutta which finance them. They do not however get sufficient funds to carry on their business.

(iv) (b) It is quite true that the agriculturists of this part of the country do not get full value for their produce on account of the speculative activities of the firms and companies who deal in export trade and who control the prices of their products. Thus the mill-owners and the Marwari and European firms who deal in jute control the price of jute and compel the agriculturists to accept the prices of their productions at prices dictated by them (the firms).

Question 3. (i) In this part of the country there are two kinds of lands—(a) One class of lands called jote lands are in the possession of the occupancy raiyats and (b) another class of lands in the khas possession of the landlords. Lands of class (b) fetch higher price than those of class (a). The raiyati holdings yielding two crops a year (namely jute and paddy), sell at Rs. 300 to Rs. 500 per kani (nearly one-third of an acre) and lands yielding only one crop are sold at a lower price.

(ii) The value of land is affected by the price of jute and has been rising with the rise in the price of jute. Private sale generally fetches higher price than revenue sale or civil court sale.

Question 4. (i) There is no legal impediment to mortgage of lands or agricultural holdings in this part of the country.

(ii) The amended Bengal Tenancy Act has increased the credit of the agriculturists.

Question 7A. (i) It is desirable that co-operative central banks should be permitted to grant loans to individual members and depositors, for such permission, if granted, will attract more deposits and will make the co-operative central banks more useful and popular.

(ii) It is also desirable to enlarge the scope for the investment of funds of co-operative societies and to relax the restrictions under section 32 of the Act.

(iii) I would advocate free interlending of funds between co-operative societies and joint stock banks, including loan offices, provided the latter give up their usurious habit.

(iv) At present the relations between the co-operative societies and the joint stock banks and loan offices are not cordial and there is no mutual assistance between them.

(v) The co-operative central banks are in a position to undertake such banking business as remittances of money from one place to another.

Question 7B. (i) Establishment of co-operative societies in rural areas has reduced the prevailing rates of interest to some extent on all kinds of loans.

(ii) Co-operative credit societies have not yet been able to replace the professional money-lenders for the co-operative societies cannot finance the agriculturists fully and for all purposes.

(iii) Joint and unlimited liabilities of the members of rural societies and inability of the Central Bank to finance the rural societies generally stand in the way of rapid spread of co-operative banks in rural areas.

98.

Mr. D. Bose, Honorary Secretary, Kalna Central Co-operative Bank, Kalna (Burdwan).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) By taking loans in money and grain.

(b) In money.

(c) In money and grain.

(ii) To bhagjotedars and bargadars, in some cases no interest is charged, as labour is very scarce in this subdivision. In other cases

the interest varies from 12 per cent. to 37½ per cent. generally. Security consists in lands and crops.

Percentage of secured debts—25 per cent. on a rough estimate.

Percentage of unsecured debts—75 per cent. on a rough estimate.

(iii) The whole part, as far as this subdivision is concerned, is played by co-operative banks. Professional money-lenders, merchants, dealers and private families. Co-operative banks nearly advance about 12½ per cent., the rest coming from the other classes.

(iv) For the subdivision—25 lakhs.

(v) Untimely and insufficient financing. The main reason is the lack of credit of the borrower, and of capital. The remedy lies in growth of a honest spirit of selfhelp on his part, and more facilities of borrowing at the proper season, at reasonable rates of interest.

(vi) Existing facilities—none. Certainly there is scope for improvement. There should be one primary organisation for financing. Other agencies as Government should supply the deficit capital required.

Question 2. (i) To sell at the nearest hat, gunge and bazar as also to the beparies.

Excepting the well-to-do, the small farmers are never able to hold up their crops for a better price. The reasons are that payment of rents, repayment of loans have to be made after the harvest, as unsecured loans are obtained on verbal security of crops.

(ii) Enough scope for pools and co-operative effort.

(iii) None in this subdivision.

(iv) Facilities now none. To advance money on security of the crops, by establishment of co-operative sale societies.

(vi) At the initial stage from the village to the gunge or hat by merchants and dealers.

(vi) (b) I fully agree with the suggestion. During the jute season at first a little inflated price is given at the ports. But as soon as a considerable quantity is in transit, prices are reduced. Formation of pools and combinations with Government help, a better knowledge of port and world requirements and transport facilities are some of the remedies I can suggest.

(viii) Through Post Office, locally.

(ix) Postal remittance transfers for a small fee may be introduced.

(xii) to (xvi) Locally hundies are not in use.

(xvii) Locally none of these.

Question 3. (i) Rent-paying khas lands from Rs. 100 to Rs. 1,000 of average fertility—Rs. 300 per acre.

(ii) Want of irrigation facilities and scarcity of labour, prices of crops affect their value.

Question 4. (i) Yes, of korfa-holdings for their non-transferability.

(ii) The amended Bengal Tenancy Act to a very small extent enhanced the credit of the agriculturists, and that too in some cases only. But the high rate of landlords' transfer fee, and the provision in section 26D of "whichever is less" has greatly reduced the value of these

lands where "five times yearly rents" is in excess of the 20 per cent. of the purchase money.

(iii) To a considerable extent.

(iv) None such in the subdivision.

(v) The purpose of loan should be enlarged.

(viii) From each of the three sources.

(ix) Yes.

(x) Loss to Government may be declared a charge on the share capital as well as the reserves.

(xi) This depends on local circumstances.

(xiii) Government should be prepared to lend money at rates not exceeding 6 per cent.

Question 5. (i) I speak of one village only with a population of 600. The indebtedness comes to Rs. 10,000.

(ii) By careful enquiry in typical villages.

(iii) (a) 25 per cent.

(b) 75 per cent.

(iv) In addition to these mentioned in the printed questionnaire, for ceremonies such as marriage, sradh, etc.

(v) Where there are co-operative banks, to such banks. Elsewhere to professional money-lenders and private families.

(vi) Increasing.

(vii) Except in years of declared scarcity, to no extent.

(ix) Yes, to advance money on interest at 150 per cent. and to realize dues by terrorization.

(x) Yes. Several instances.

(xi) To no extent. The law is left where it was. The highest legal interest should be laid down by statute.

(xii) No.

(xiii) I do not know.

(xiv) By establishment of co-operative societies.

(xv) 25 per cent.

(xvi) 25 per cent. to 50 per cent. with yearly rests in some cases. By suits instituted in cases of default.

(xvii) Already much mischief has been in this direction and the process is still going on.

(xviii) Yes.

Question 6. (i) None worth mentioning in this subdivision, except rice-milling and garden produce to a small extent.

(ii) This is a very large question. Machine and foreign competition are everywhere killing these industries.

(iii) I am sometimes led to think that hand-spinning and weaving of jute, if possible, of introduction as a cottage industry, can give employment to many.

(iv) and (v) By enlarging the scope of the co-operative banks.

Question 6A. (i) By raising loans and investment of private money.
 (ii) By enlargement of the scope of co-operative land mortgage banks.

Question 6B. (i) Very restricted facilities from persons risking their advances.

(ii) Generally for household expenditure. At very high rates ranging from 37 per cent. to 150 per cent. The latter rate is that of the Kabuli money-lenders. In case of secured loans the rate is between 12 per cent. to 25 per cent.

(iii) To a very limited extent. Their lack of credit precludes the possibility of required financial assistance.

(iv) On the increase. They are being ruined.

Question 7. (i) Kalna Central Co-operative Bank has only some connection with the Imperial Bank in that it has remittance transfer receipts.

(ii) They suffer from shortness of funds, before they can establish a strong financial position.

(iii) In this subdivision three lakhs roughly at present.

(iv) No, because no such institutions are in existence here.

(v) Yes, concessions such as those enumerated in the question itself.

Question 7A. (i) Yes.

(ii) Yes.

(iii) Yes.

(iv) I have no occasion to acquaint me with.

(v) Yes, if the Post Office grants them the facility at a small fee.

Question 7B. (i) It has the effect of reducing the rate of interest.

(ii) To the extent they are advancing loans.

(iii) Lack of co-operative education and habit.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Loan offices and joint stock banks are not in existence in the district of Burdwan.

Part II.—Indigenous Banking.

Indigenous banking is not in existence in the Kalna subdivision.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) At present the surplus income and savings of a few people.

(ii) For the subdivision ten lakhs more roughly.

(iii) The Post Office Savings Bank, cash certificates and co-operative societies.

(iv) No, to the extent required.

(v) Yes, by establishment of rural co-operative societies.

(vi) Ordinarily in ornaments of gold and silver.

Question 2. (i) Not to any marked extent.

(iv) The fortunate few who can effect savings.

Question 3. (i) I am not in favour of diverting small savings to taking up of Government societies in preference to their otherwise manifold uses, namely, supply of credit for co-operative banking, purchase and sale, production, etc.

(ii) In this subdivision such transactions rarely take place.

(iii) In this subdivision, they spend it towards household expenses, and surplus, if any (in very few cases only), they lend to others and keep with themselves.

(iv) In some cases only at rates of interest ranging from 12½ per cent. to 37½ per cent. They stock the surplus grain.

Question 4. (i) Almost nil.

(ii) No marked local effect.

(iv) Highly desirable.

Question 5. (i) Yes.

(ii) The causes primarily are that people have very little savings to make and also absence of financially sound institutions.

(iii) People are shrewd enough to know where it is safe to invest their money with a decent return.

(iv) No such local branch in this subdivision.

99.

Mr. A. Razzaque, Secretary, Islamia Co-operative Urban Bank, Ltd., Barisal.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) About half of the agriculturists borrow money for cultivation and they are mostly financed by local mahajans and money-lenders and in a few cases by the rural co-operative societies and Government. The rest can defray their expenses themselves with difficulty.

(b) For capital the agriculturists generally borrow money from the local mahajans as well as from the co-operative credit societies and for permanent improvement, they do it mostly by manual labour and in few cases they take loan from local mahajans and co-operative societies as their number is very small. Only in the colonization area, permanent improvements are effected with the aid of the Government agricultural loans and land improvement loans.

(c) Most of the agriculturists pay rent from the income of their produce. Very few persons borrow money for the purpose. For failure of monsoon they take loan from the local mahajans and in a few cases from co-operative societies and agricultural loan from Government.

(ii) The existing co-operative societies in this district are quite inadequate to meet the financial demand of the cultivators of the district. They invest money at the rate of Rs. 15-10 to Rs. 18-12 per cent. per annum on land and personal sureties. The duration of short-term loans is one year and duration of long terms is 3 to 4 years.

Local mahajans advance loans in ordinary cases for one season at high rates of interest varying from Rs. 3-2 to Rs. 9-6 per cent. per month. The ordinary money-lenders also advance money on land mortgage at the rate of Re. 1 to Rs. 4 per cent. per month for indefinite period. They also lend money on the security of ornaments for a period not exceeding 3 years on the condition that if they do not repay the loan their claims to ornaments will be waived.

Loans on standing crops are few and for one season, i.e., 6 months and carry interest at Rs. 3-2 to Rs. 6-4 per cent. per month.

At least 75 per cent. loans of this district are secured in the cases of land mortgage and ornament security loans.

(iii) Local mahajans and money-lenders are mostly financing the agriculturists. The local mahajans give ready help to them when they are in urgent need. Government help the tenants at the time of famine and flood. The joint stock companies and Imperial Banks never help the agriculturists of this district direct. The activities of co-operative societies are confined to their members only who are small in number.

(iv) About 2 crores of rupees for this district.

(v) The present system is defective inasmuch the rates of interest are excessive. Once in the hand of the mahajans the debtor can rarely come out in his lifetime and the man is gradually rendered a landless pauper. His property passes into the hands of the mahajans because he lacks not only in education but also in knowledge of his rights and positions. In cases of land mortgage loans both the creditor and the borrower remain silent. The creditors remain silent at the temptation of the land and the debtors for want of any pressure for demand. The result is that when the borrowed amount becomes heavy the creditor falls upon the debtor with the consequence that the mortgaged property passes into the hands of the mahajans.

The only remedy we can suggest is the establishment of sufficient number of co-operative societies of limited and unlimited liabilities according to the condition of the locality, which are all opposed by the local mahajans. Passing of an Act fixing maximum rate of interest may be useful. Besides these, the general condition of the agriculturists cannot be improved unless they come to proper senses through education and thereby they can learn how to protect their own interest. The question of finance next arises and it can be met by the financing organs such as the central banks, the provincial bank, the Imperial Bank and partly by local deposits. Truly speaking the supervision of Government is necessary in all cases.

(vi) There is no co-ordination amongst the various credit agencies except the co-operative credit societies. In this district each of the co-operative credit societies with limited or unlimited liabilities has a connection simply with the central bank, and in very few cases with the provincial bank. The difficulties to some extent may be solved if

there be a provision extending the scope for keeping in deposit the surplus amount of one bank in the other and if at the same time they can borrow money from the sister institutions at the time of need.

Question 2. (i) Raiyats generally sell their crops to beparis at the rate usually fixed by them which is based on rates at centres where the beparis dispose them. They do not go direct to any big market. They are quite unable to hold up their crop for a better price for shortness of fund. To meet their contingencies they are compelled to sell their crops then and there at the price dictated by the beparis and farias even if the market be dullest at the time.

(ii) The only remedy we can suggest if the Co-operative Department starts a store house in every union so that majority of the cultivators may be members at a *uniform* rate of share money. They will sell their crops to the store house at the season time to meet their contingencies at the prevailing market rate. The store will sell its crops when the market improves. The cultivators will get in return the surplus profit according to the proportion of crop supplied to the store after necessary deductions of establishment charges.

(iii) There is no co-operative sale society in the district except one in the Sundarbans area. It is a limited liability society started on share basis. It is affiliated to the Khepupara Central Bank. It gets its finance by sale of shares, local deposits and sometimes by taking short-term loans from the central bank. There is no difficulty in obtaining finance. It is managed by a board of directors elected by the shareholders in their annual general meeting.

(iv) There is no facility for financing products during marketing. If facilities can be given, it will fetch better price of produce for the tenants and consequent improvement of their condition.

(vi) (a) and (b) The different classes of banks and bankers do not play any part in financing (a) and (b). Simply the merchants and dealers do all works in these connections.

(vi-a) The big merchants living in important centres of the district, advance money to small dealers for purchasing different kinds of crops from hats and markets at a rate dictated by the former to the latter. That rate varies towards the degrees according to local circumstances. The small dealers get certain percentage as commission from the big merchants on the purchased articles. Generally the big merchants manage their business with their own capital.

(vi-b) We fully agree with the suggestion made. In this connection our replies to 2 (i) and 2 (ii) may be referred to. The concrete instance is that there are several big rice merchants at Baga Bandar in the Patuakhali subdivision of this district. All these merchants belong to foreign districts. The Patuakhali subdivision is the best rice producing area of this district. The Baga merchants control the rice market through their small dealers. The small independent purchasers cannot cope with them. These merchants store almost the whole of rice grown in the area and sell at a time when the market improves.

(vii) It is not a fact that for lack of credit of borrowers there is a lack of banking facilities to persons engaged in the movement of principal crops. The thing is that sufficient banking facilities do not at present exist in this district for taking up the movement of the principal crops on a co-operative system.

(viii) For internal remittance, the existing facilities such as remittance transfer receipt, cheque, demand draft and hundi may be availed of. It is to be regretted that even central co-operative banks charge a commission in cashing cheques, which are accepted by the Provincial Co-operative Bank at this full value.

A practical move in this direction is only possible through postal savings banks, which have innumerable branches all over the district. Chittagong Khasmahal saves a good deal of this remittance cost, by cashing postal cheques in Khasmahal offices on receipt of advice from the Sadar Treasury. Similarly rural co-operative banks can save cost of remittance to central banks, by cashing postal cheques, on the advice of head post officer, who will credit the amount in favour of the central bank account. Similarly central banks will cash postal cheque which will be credited in favour of the rural society in the sub-post offices, where the society is situate. The system has been tried and found to be successful and incorporated by Government in Rule 10 of Tehsil Treasury Rules, approved in Government letter No. 491 T.—R., dated 8th October 1928.

100.

The Bengal Provincial Co-operative Bank, Ltd.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(a) From co-operative central banks in the shape of short term loans where that system is in vogue. Where there are no short term loans (repayable in one year) by long term loans (ordinarily for 2 to 3 years, in some central banks for 4 to 5 years) from central banks if the agriculturists happen to be or are willing to be members of a rural co-operative society.

From village money-lenders, landlords and in some cases from joint-stock banks, Kabuli and Marwari money-lenders.

In the shape of advances money from merchants on condition of supplying them with crops when harvested at a price far below the then market price.

(b) From money-lenders and in some cases the district boards also grant a portion, say half or one-third of the cost, provided the villagers can raise among themselves the other half or balance either by subscription or by taking loans individually for his personal quota. In some more instances a philanthropic landlord or merchant or Court of Wards also render help.

(c) Takavi loans from Government in cases of famine and distress and flood.

Loans from co-operative societies.

Loans from private money-lenders and joint-stock banks, etc.

From public charity in the shape of relief fund.

Remission or abeyance of rents from landlords.

(ii) Rate of interest charged by co-operative societies vary from 12½ to 15 per cent. per annum and 9½ to 12½ for short term loans only. That charged by private money-lenders is from 18½ to 75 per cent. per annum with quarterly to annual rest on simple bonds in many cases.

The joint-stock banks charge from 12 to 37½ per cent. for loans below one thousand on simple bonds with annual rest.

In case of mortgage bonds the rate of interest charged is from 12 to 24 per cent. per annum, in some cases up to 30 per cent. with annual rest generally.

The loans are generally stipulated to be repaid within three years in case of unregistered simple bonds as that is the period of limitation. In case of registered bonds the loan is generally made repayable in 6 years and in mortgage bonds in 12 years where personal liability is not sought to be enforced, the security being more than sufficient.

In case of co-operative societies loans are repayable within 2 to 4 years in the case of long term loans and one year in case of short term loans.

The nature of the security taken is mortgage (simple, usufructuary and mortgage by conditional sales).

Probably about 33 per cent. of such loans only are secured.

(iii) There is provision for Government financing agriculture in the Land Improvement Loans Act and in the Agriculturists' Loans Act. But the financing under these two Acts is few and far between. Besides the rules are very stringent.

We do not know the part played by the Imperial Bank.

The joint-stock banks do grant loans to agriculturists to a small extent.

Co-operative banks through rural societies also grant loans to members of such societies only. But the percentage of such members is very small compared with the population of the village. It is the professional money-lenders, merchants and dealers, and in a few cases the indigenous bankers, who make enormous profit by lending money at an exorbitant rate of interest.

Some landlords also advance money to their tenants.

(iv) On a minimum average estimate about fifty lakhs of rupees may be required in every district of the province. It is very difficult to form any definite idea.

(v) Defects—

Re. Co-operative societies—

(1) Dishonesty on the part of the Panchayets of rural societies in many cases.

(2) Too short a period allowed for repayment of loans, viz., 1 to 3 years generally.

(3) Delay in getting loans in most cases.

(4) The unlimited liability of its members is frightening many.

(5) Insufficiency of the amount granted.

Re. Professional money-lenders—

(1) Excessive rate of interest.

(2) Dishonesty in not advancing the full amount noted in the bond and not crediting all payments made by debtors.

(3) In many cases they lend only with an eye to acquire the lands of the debtors.

Re. Merchants—

Condition to sell the produce at an unusually low rate.

Re. Joint-stock banks—

(1) High rate of interest.

(2) Compound interest.

Remedies suggested—

(1) Starting limited liability credit societies and land mortgage banks and lending at 12 per cent. per annum simple interest or lower rate for a long period to be repayable in easy instalments, say from 6 to 12 years.

(2) Prolonging the period of repayment for long term loans to 5 or 10 years and of short term loans to 2 years in easy instalments in the present rural societies.

(3) In case of cultivators having lands below 6 bighas or 2 acres loan should be given mainly for the purpose of acquiring lands, as otherwise it would be impracticable for him to be free from indebtedness at any time.

(4) To fix the maximum rate of interest to 12 per cent. per annum in case of secured loan and 18 $\frac{3}{4}$ to 24 per cent. in case of unsecured loans by means of legislation. But in cases of unsecured loans for more than Rs. 500 the maximum rate of interest should not be more than 18 $\frac{3}{4}$ per cent. per annum. Compound interest should never be allowed. In any case the creditor should not be allowed to recover in the shape of interest an amount more than double the principal sum lent.

(5) In the case of registered bonds the consideration should always be paid in the presence of the Registrar or Sub-Registrar as the case may be.

Where the loan is wholly or partly for repayment of a previous loan, the receipt of the previous creditor for the amount received attested by two witnesses should be taken as consideration paid and to be endorsed on the back of the bond by the Sub-Registrar.

(6) In granting loan to a cultivator the land mortgage bank should enquire and ascertain his total liability and lend him the full amount required to pay off all his debts and to remove his present needs. Provided of course that the proper valuation of his lands can cover twice the amount required.

(7) Propaganda work in making him learn thrift.

(8) Free and liberal application by the Government of the provisions of the Land Improvements Loans Act and the Agriculturists' Loans Act.

(9) Government financing to a certain extent the land mortgage banks at the start.

(vi) There is unfortunately no such co-ordination except between Government and the co-operative banks and societies.

There is much scope for improvement in this direction.

The Government and the Imperial Bank should both afford greater facilities to co-operative banks. As an instance the Government and the Imperial Bank may grant loans to the Bengal Provincial Co-operative Bank at a lesser rate of interest, say, 4 per cent., so that the

said bank may in its turn grant loans to land mortgage and other co-operative banks at 5 to 6 per cent. The Imperial Bank also should freely open cash credit accounts and grant loans to big and well managed central and town banks and to joint-stock banks also. The Imperial Bank should also afford remittance facilities to co-operative banks free of cost in the shape of Sola Bills and otherwise.

Provision by legislation that every credit agency should be bound to supply correct information to any other such agency on requisition regarding the debts of a person due to the former agency, otherwise it shall be presumed by a court of law that there is no such debt subsisting and the claim of the latter agency shall have priority over that of the former and the former shall lose all right to rateable distribution in case of sale in a money decree. Provided of course the latter agency shall be bound to maintain the strictest secrecy with regard to any such information supplied.

Question 2.—(i) The raiyats in general are unable to hold up their crops for a better price due to poverty, indebtedness and pressing necessity.

(ii) There are great possibilities for co-operative effort in forming sale societies, but these societies should be managed by efficient and honest people and Government should finance these societies at the outset to a certain extent, so that these may tide over unhealthy competition by aratdars. Marketing produce is a great problem with the raiyats.

(iii) The following credit facilities are required:—

(a) Establishment of store houses or arats and sale societies.

(b) Advance of half the market price of the crops, brought for being stored, immediately, and to see that all arrears of rent are paid out of these advances.

(c) Arrangement for speedy sale of these crops at the full market price of half of the stock, and then gradually to pay balance of the price to the raiyat within two months at the latest.

The facilities actually existing are none. The raiyats are bound to sell at the price dictated by the merchants or take advance from aratdars at a high rate of interest against the crops stored in the arat pending sale thereof.

(v) Yes. Forward contract has to be made in case of foreign trade and that involves speculation and so more money is required to corner the market.

(vi) (a) Joint-stock banks to a certain extent professional money-lenders generally do the work of financing during the above stages at a high rate of interest and that even generally for short terms. The smaller traders and middlemen experience great difficulty and therefore have to agree to high rate of interest.

The co-operative town banks may to a certain extent remove this difficulty by opening cash credit accounts with merchants and traders charging interest at 9½ per cent. per annum. The rate of interest may be lowered if the Imperial or the Provincial Bank can finance them at 5 or 6 per cent. per annum. If the constitution is altered a little then big central banks also can finance the individual traders or merchants.

If the constitution of the Bengal Provincial Co-operative Bank is altered it may also finance big merchants at 9 per cent. simple interest, i.e., those who want a lakh of rupees or more by opening a cash credit account on good security or continuing guarantee from substantial guarantors offering good security. But these loans should always be for a short term.

(vi) (b) Yes, the suggestion is correct to a certain extent. That is in cases where the grower is free from indebtedness and above want, so that he may wait for a better price.

But there is always the other side of the shield. From a business point of view everybody wants to pay the least possible price and to make the best out of the bargain. The question always is—Who has the greater staying power? The solution for the agriculturists lies also in combination and control so that they may also be in a position to dictate the price at which to sell.

The other observations have already been noted above.

(vii) To a certain extent it may be so. The causes are several and not any particular one. It is a combination of different causes and varying circumstances. The borrowers' lack of credit plays an important part. In the case of export trade want of any organisation of Bengali firm or society to deal directly with foreign buyers or consumers with agencies in Europe, America, etc., is a cause which goes a great way to create a position of monopoly in favour of others. Definite standard of quality plays an important part in the case of jute.

(viii) Remittance Transfer Receipts from Government treasuries, through Imperial Banks, by cheques to a certain extent, by drafts issued by some of the co-operative central and town banks on the Bengal Provincial Co-operative Bank, by hundis and through post offices and bills of exchange.

(ix) Postal money order is too costly. The commission should be reduced by half for the public and one-fourth for co-operative banks and societies. Insured letters also are costly and not free from risk, and it is not possible always to secure currency notes of higher denominations in Mufassal without paying *butta* at a high rate. Government treasuries in Mufassal also do not freely give such notes in exchange for cash or small notes. Government should allow co-operative central and town banks always to have supplies of fresh notes of any denomination in exchange for cash and vice versa, so that the public may easily get currency notes of any denomination always. This would facilitate remitting money by insurance and would be of great advantage to the public. Registration fee should be reduced.

Reduction of the rate for Sola and Supply bills by the Imperial Bank and issue of the same to co-operative banks free of any charge.

Reduction in stamp duty on bills of exchange.

Circular by Government to allow co-operative banks and societies to have R.T.R. free of cost as now, as often as they require from and to any treasury or sub-treasury and upon any branch of the Imperial Bank in India and Burma.

Like the Imperial Bank the Bengal Provincial Co-operative Bank also should be authorised to issue Sola or Supply bills or R.T.R. to

Mufassal co-operative banks and societies which may be encashed at any district treasury.

Selected central banks should be entrusted with Treasury work as an experiment where there is no branch of the Imperial Bank.

(x) These play an important part where there is a branch of the Imperial and National Bank of India. Some of the well managed co-operative banks, e.g., the Mymensingh and Burdwan Central Banks and the Rajshahi Co-operative Town Bank have given a great impetus to the free use of bills of exchange by traders as the merchants of Calcutta and other places send the Railway receipts to customers through these banks along with bills of exchange which are collected by these banks and remitted by drafts or cheques.

The co-operative banks also discount cheques and bills of exchange.

(xi) Yes, the stamp duty may be the same as charged on pro notes or it may be lesser.

(xiii) Yes, certainly.

(xiv) (a) Bankers should not be liable in any way if they discount or rediscount hundis to their customers or known or reliable person of position in due course of business.

The definition of "holder in due course" as in S. 9 should be so amended as to give protection to bankers dealing bona fide even if the bill of exchange or cheque is afterwards proved to be a forged document or that any one or all the previous endorsements are forged. Banker should be held responsible only for the last endorsement at the time of payment.

(xvii) Railway receipts, bills of lading, wharfingers' certificates.

(xviii) No.

(xix) There are great possibilities.

(xx) Yes.

Question 4.—(i) No.

(ii) The credit is sure to be enhanced.

As the new Act has only recently been passed no appreciable rise in credit has yet been felt.

(iii) Not to any appreciable extent as the new Tenancy Act allows also sale of a part of the holding and division of rent. But this smallness affects the value of the holding only but does not in any way stand in the way of establishing long term credit institutions.

(iv) There is a land mortgage co-operative bank at Naogaon (Rajshahi) which gives long term credit to the members of the Ganja Co-operative Society only.

Joint-stock banks practically give long term credit. Though the stipulated period for repayment is mentioned to be within those years the period is extended to several years in good cases by taking endorsements of payments and in case of mortgage bonds they generally wait up to 6 to 12 years before instituting a suit for recovery if the security is sufficient.

(v) The Naogaon Mortgage Bank gives loan to members on taking mortgage of their lands after paying off all previous incumbrances or debts.

The capital is derived from paid-up share value and from deposits mainly.

(vi) Land mortgage banks may be formed as a separate co-operative bank with limited liability and be started at the beginning as an annexe to all central banks to give relief to the villagers at an interest between 12 per cent. per annum simple interest on easy instalments to be repayable in six to twelve years according to the amount advanced. The capital to be raised by the sale of shares and deposit from central banks and outsiders. The details of the scheme to be fixed by a small committee of experts nominated by the Registrar. It would not be difficult for the central banks to get long term deposit if they issue fixed deposit receipts in the nature of Cash certificates to pay double the amount at the end of ten years.

As regards small landlords and taluqdars, the town banks may easily give them relief at 9½ to 10 per cent. simple interest, if allowed by the Registrar of Co-operative Societies to grant loans to such persons on mortgage who are not residents of the town. The Bengal Provincial Co-operative Bank may grant loans to such town banks or mortgage banks when necessary at 7 per cent. At the outset Government should grant some money at 3 or 4 per cent. to be recoverable in 30 years in equal instalments.

Mere scheme on paper would be of no use. A few such banks, say five, should at once be started as an experimental measure.

(viii) All the three sources—(a), (b) and (c).

(ix) Yes, for both.

(x) One-third of the Directors should be Government nominees.

Strict supervision and audit and power to take up the management in case of mismanagement by the Directors and also power to direct that surplus cash balance should be deposited in approved banks.

(xi) At 6 per cent. interest on debentures with Government guarantee. Without such guarantee the debentures are not likely to be sold to any appreciable extent.

Lending to agriculturists at 9 to 12 per cent. simple interest.

To landholders or landlords at 9½ to 12 per cent. simple interest according to the amount of the loan granted.

(xii) Yes.

Question 7.—(i) Cordial relation exists between the Bengal Provincial Co-operative Bank and the Imperial Bank and the other big and joint-stock banks in Calcutta.

(ii) The only difficulty is the high rate of interest. The Bengal Provincial Co-operative Bank gets loan or cash credit from the Imperial Bank at bank rate which is ordinarily 6 to 7 per cent. and so cannot lend to central banks or industrial or other societies at less than 7½ per cent. So the Imperial Bank should be allowed to lend to the Bengal Provincial Co-operative Bank, Ltd., at 4 per cent. only so that the co-operative societies may get loan at 6 per cent.

(iii) At least a sum of Rs. 25 to 30 crores is required.

(iv) No.

(v) (a) Extension of special exemption from income tax and super tax to all co-operative societies or institutions.

(b) The Provincial Co-operative Bank debentures should be included in the list of trustee securities.

(c) Money order commission on money remitted through post offices by any co-operative bank or society or union or institution should be reduced to 4 annas per hundred subject to a minimum of 2 annas and a maximum of Rs. 10, and also to allow that a sum up to Rs. 5,000 may be remitted by co-operative banks, etc., to any district or sub-divisional town and up to a sum of Rs. 1,000 to a place where there is only a sub-post office, in one money order.

(d) Insurance and registration fees to be reduced by one half.

(e) Government treasuries to grant R. T. R. freely through all district and sub-treasuries and in the district itself, and also freely allow encashment thereof in all sub-treasuries and district treasuries throughout British India and Burma free of cost as now for all purposes to facilitate inter-subdivision and inter-district and inter-province remittances of money through co-operative banks.

(f) The Provincial Co-operative Bank should be allowed to issue drafts upon all branches of the Imperial Bank of India in India and Burma, and that such branches to honour and pay these drafts on presentation by the holder thereof in due course.

(g) Some approved central and town banks be allowed the concession that their crossed cheques for a sum not exceeding Rs. 2,000 on the Imperial Bank, Calcutta, may be cashed at any branch of the Imperial Bank in India and Burma on presentation through any other bank, provided that the banks empowered to issue such cheques should always have a minimum current deposit of Rs. 5,000 and a fixed deposit of Rs. 5,000 or G. P. Notes of the same amount kept with the Imperial Bank, Calcutta, or such other safeguard that may be necessary.

(h) Each provincial co-operative bank should honour on presentation through a banker the crossed draft of every other provincial co-operative bank in India for a sum not exceeding Rs. 5,000 in one such draft, and for this purpose each provincial co-operative bank should have a current deposit account with every other such bank for a sum of Rs. 5,000 always.

(i) Co-operative central banks and town banks may be allowed to keep their cash balance or a portion thereof in the Government treasury like the district board and the municipality and to withdraw the same by cheque on these treasuries.

(j) A few selected central banks may be entrusted with the work of Government treasuries like that performed by the branches of the Imperial Bank of India in some places.

(k) Allowing the long term deposit receipts issued by some co-operative banks in the nature of a postal cash certificate to be negotiable as a cheque or bill of exchange subject to the approval of such co-operative banks.

Question 7A.—(i) No, where there is a co-operative town bank. Where there is no such town bank this may be allowed so long as a town bank is not started there.

(ii) Yes.

(iii) Yes.

(iv) In some places it has been seen that they do help co-operative banks with deposits in times of need. The relations are in most cases not unfriendly and depositors are common.

(v) Co-operative central banks and big co-operative town banks have current deposits in the Bengal Provincial Co-operative Bank and they are in a position and some of them are successfully doing banking business as remittance of money from one place to another and especially to Calcutta by means of drafts on the Bengal Provincial Co-operative Bank; and those who have got current deposit with Imperial Bank do also use cheques on the Imperial Bank for such purpose. There is no question of infringement of the Co-operative Societies Act in doing this.

101.

Mr. Musharraf Hussain, Secretary, Khepupara Central Co-operative Bank, Ltd., Bakarganj.

N. B.—These answers relate to the Sundarbans area in the Bakarganj district.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) Agriculturists obtain finance for expenses during cultivation by borrowing money from co-operative credit societies and local mahajans.

(b) For capital and permanent improvements they obtain capital by borrowing money from the co-operative credit societies and local mahajans. Government also grant land improvement and agriculturists loans.

(c) For other special needs they get finance from co-operative credit societies, local mahajans and Government.

(ii) Rates of interest are different. Co-operative credit societies charge interest at Rs. 18½ per cent. and 15 10/16 per cent. per annum, Government at Rs. 6½ per cent. per annum and local money-lenders at Rs. 25 per cent. for four months.

As regards periods for which loans are taken, co-operative societies advance two kinds of loans—one short term loan for one year and the other long term loan generally for 3 years. Government advances long term loans; money-lenders generally advance loans for one season.

As regards security taken and accepted, co-operative societies take security of land, Government receives personal security and local money-lenders generally take security of crops, in some cases, of land. As regards other conditions attaching to the grant of such loans local mahajans generally advance money on crop; the term is that they would get the harvested crops at the rate fixed up by the mahajans themselves. Because at the time of dire necessity for money the agriculturists succumb to the terms of mahajans and have no option of their own. As regards percentages of secured and unsecured loans, this may not possibly be calculated but in many cases the loans are secured.

(iii) Local mahajans and money-lenders play the more important part in financing agriculturists than other financing agencies such as Government, Imperial Bank of India, joint-stock banks, etc.

Local mahajans give a ready help to the agriculturists when they are in urgent need of finance. Government help agriculturists at the time of cultivation, total failure of crops, famine, flood, etc. Imperial Bank of India does not finance agriculturists direct. Same case with joint-stock banks. Activities of co-operative credit societies are limited to their members only. Merchants and dealers advance money and articles to a certain extent to the agriculturists on crops and money. No other organisations give credit in this part.

(iv) About 10 lakhs of rupees for the Sunderbans area.

(v) There are defects in the present system of financing agriculture. Agriculturists, when they take loans from merchants, dealers and local mahajans, are reduced to pauperism as these financing agencies charge prohibitive interest. Over and above these they take the crop or produce at much reduced rates than the then prevailing market rates. The result is that the agriculturists do remain always in debt. To safeguard the agriculturists from these evils, there is only one remedy, i.e., opening out as many co-operative credit societies as possible along with propaganda work against mahajans. The establishment of village societies to watch over the unnecessary and extravagant expenditure of the borrowers and repayment of loans as far as possible every year can save them from pauperism. Passing of an Act for fixing maximum rate of interests and transfer of lands to the mahajans is essential. The mahajans should not be allowed to purchase the lands of the cultivators at a low price amicably or in the civil court. An Act prohibiting sale of lands of the borrowers for the price of articles sold to the cultivators or bonds taken thereof when they cannot repay the price of articles sold.

(vi) There is no co-ordination amongst the various credit agencies save and except co-operative credit societies. Yes, there is much scope for improvement in that direction by appointing supervising officers to watch over the interest of the creditor against unnecessary and extravagant expenditures beyond their means and repayment of loans.

Question 2.—(i) Raiyats generally sell their crops to beparies (middlemen) at the rate offered by the latter. They do not go direct to big markets to sell off their crops. Yes, he is quite unable to hold up his crop for a better price for shortage of fund.

(ii) There are very little possibilities of forming pools of marketing produce by co-operative efforts, because the agriculturists partly sell off their crops long before the harvesting season by getting money at a lower rate than the usual price of the crop and they are idle enough to take the produce separately to a central place. The beparies come to their doors and they sell produce to them at any price offered by the former.

(iii) Yes, there is a Central Co-operative Supply and Sale Society at Khepupara (Bakarganj). It is a limited liability society. It is managed by a Board of Directors elected by ordinary members in a general meeting. It is affiliated to the Khepupara Central Co-operative Bank, Limited. It gets finance by sale of shares, deposit and sometimes by taking short term loans. There is no difficulty in obtaining finance. The Society is starting a rice mill within 2 months and the raiyats can sell their paddy in the mill, but I am afraid they will not take the trouble of bringing their paddy to the mill though the cost of labour will be offered in addition to the price.

(iv) During marketing of principal crops the agriculturists do require credit facilities. At present no such facilities exist. If they are actually given facilities they would get a better price for their produce and their condition would be far better off and prosperous.

(v) Yes, if such facilities are given, internal and foreign trade would be affected as the sellers would hold up sale.

(vi) Other financing agencies, such as Government, co-operative societies, joint-stock banks do not play any appreciable part in financing (a) and (b). Merchants and dealers generally play a greater part in financing (a) and (b).

(vi) (a) The mahajans and dealers generally advance on the produce and control markets, hats and mokams. There is no such difficulty in connection with the above financing. The only drawback is this that agriculturists do not get better price. To remove the said defects, I would suggest co-operative help.

(vi) (b) Yes, the grower of produce does not get full value for his produce as the rate is generally fixed by the purchasers. If the growers could get short term loans on low interest at the time of marketing, I am sure they would be able to hold up their produce and would get better market price.

(vii) The lack of banking facilities to persons engaged in the movement of the principal crop is due to causes of borrowers' lack of credit and not want of definite standard of qualities. The most important thing is to teach the growers how to obtain funds for expenditure at the time of dire necessity.

(viii) For internal remittance the facilities that exist are: Remittance Transfer Receipt, cheques, demand draft and hundi.

(ix) To encash cheques, demand draft, hundis, discounts are charged from parties. As the banks earned something from the amount deposited in the bank, they should not charge any discount. And cheques, hundis, demand drafts, etc., issued by any one bank should be honoured by all financing agencies.

(x) Negotiable instruments play a very important part in the internal trade of the province. It saves lots of troubles and expenditure of money in taking large cash from one place to another. It also facilitates payments.

(xi) The bill should be more extensively used and the duties on bills should be reduced.

(xii) In this part of the district, no hundi is current.

(xiii) I do not think so.

(xiv) I am not in a position to answer this question.

(xv) No hundis are issued from this locality.

(xvi) No hundis are current here.

(xvii) Generally railway and steamer receipts of recognised companies.

(xviii) There are difficulties if they are issued by any private or unrecognised company. Only solvent companies may be allowed to issue bills of lading.

(xix) Licensed warehouses will be of much help to the business.

(xx) Yes, Government assistance is needed.

Question 3.—(i) Generally there is only one crop in this part of the district, viz., paddy. According to the productivity, value of land differs from Rs. 75 to Rs. 300 per acre.

(ii) (a) Land in Government auction for non-payment of revenue is sold at a nominal price when there is no bidder. The value generally depends upon the earnestness of buyers.

(b) Value of land in sale by court decree is generally the same as the value in Government auction.

(c) By private negotiation, land is purchased at a normal rate which differs much from (a) and (b) above.

Question 4.—(i) Yes, there is a legal impediment in the colonization area in the Sunderbans under the Bengal Tenancy Act, which has saved the raiyats from immediate pauperism and transfer of their lands to the mahajans.

(ii) The amended Bengal Tenancy Act will not influence the credit of the agriculturists in this part of the Bakarganj district.

(iii) There is no such long term credit institution here.

(iv) There are no land mortgage banks within the jurisdiction of this Central Bank.

(v) Not known to me.

(vi) I have no idea.

(vii) (a), (b) and (c) The men of the district are fond of litigation and no improvement can change their mentality.

(viii) There is no possibility of getting capital for any mortgage bank from deposits. Only central institution will finance funds here if any mortgage bank be established.

Question 5.—(i) It might be about 10 lakhs of rupees in the Sunderbans area.

(ii) It can be obtained by gathering informations from people, by searching registration office and co-operative credit societies.

(iii) About 50 per cent. in (a) and 50 per cent. in (b).

(iv) The debts are generally due to (a), (b), (c), (e) and (f).

(v) Co-operative societies and professional money-lenders.

(vi) The agricultural indebtedness is increasing.

(vii) To some extent by the Agriculturists' Loans Act of 1884.

(viii) Payment of the loans will make the borrowers more extravagant.

(ix) Money-lenders such as Kabulis are not to be found in this part, but the floating shop-keepers go to the villages and advance money and articles on credit and realise them in the harvesting season either on cash or produce payment. The ignorant tenants pay as much as demanded to keep friendship with them for getting money and articles next time.

(x) One Gagan Ali of Kaonia village in Amtoli police-station (Bakarganj) contracted a loan of Rs. 350 from a local mahajan named Abdul Choukidar of the same village at Rs. 40 per cent. per annum. A condition was this that in case of his failure to make repayment, compound interest would be charged. After seven years from the issue

of the loan the mahajan brought a civil suit against Gagan Ali and obtained a decree for Rs. 3,500. The value of the land of Gagan Ali is Rs. 1,000. So the value of the land and other assets of the debtor falls far below the decretal amount. There are many instances of a like manner.

(xi) The Usurious Loans Act not availed of in this locality as repayments are mostly made amicably.

(xii) Not known to me.

(xiii) Yes, by taking a bond for a larger amount than is actually advanced.

(xiv) Seeds and paddy may be stored in local centres under the charge of the Government Agricultural Department or the central banks to advance them as loan to the local raiyats.

(xv) Interest of paddy loan is generally one and one half of the quantity lent out.

(xvi) Local mahajans charge compound interest on cash loan and 50 per cent. interest on produce loans, taking capital and interest as capital for each year.

(xvii) Yes.

(xviii) Yes.

Question 6.—(i) Hand-looms, country husking implements and wood-cutting to some extent.

(ii) Rice mill is being started here for encouraging the producers to get a better return for their produce.

(iii) Cottage industry may help the farmer to supplement his income but he is idle enough to do all these things.

(iv) Best method is to secure capital by purchase of share and by local deposit.

(v) Any kind of mill is suitable for the locality.

Question 6A.—No such industries here.

Question 6B.—(i) They generally get loans from local mahajans.

(ii), (iii) and (iv) Not known to me.

Question 7.—(i) No relation exists between the local Central Bank and the banks mentioned.

(ii) No difficulty is felt here.

(iii) We get capital which we require.

(iv) and (v) No competition between these banks.

(vi) Financial concession is needed to stimulate the growth of the co-operative movement by exemption of fees on money remitted through post offices.

Question 7A.—(i) Yes, it is desirable.

(ii) Yes.

(iii) Yes, I advocate.

(iv) There is no relation and no assistance do they render to each other.

(v) It may accept deposit here and may issue demand draft to pay the depositor cash in other places where it has got accounts.

Question 7 B.—(i) and (ii) Establishment of co-operative societies in this area has replaced a good many money-lenders from this part, and another important factor is this that the rates of interest the money-lenders charged before have fallen appreciably.

(iii) No such factor that operates against the rapid spread of co-operative banks.

102.

Mr. Bhimapada Ghosh, Secretary, Kandi Co-operative Town Bank Limited, Kandi (Murshidabad).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturists generally borrow money from the rural mahajans for expenses during cultivation and also for capital and permanent improvements. Sometimes advances are made by the local mahajans, particularly the Marwaris, on the understanding that the crop would be sold to them at a cheap rate. When there is a failure of monsoon the Government grants ridiculously small amounts of agricultural loans. Each cultivator gets from Rs. 5 to Rs. 15.

(ii) The rates of interest charged in this district are from Rs. 24 to Rs. 150 per cent. per annum. The security given is generally lands and ornaments and sometimes standing crops.

I think the local mahajans generally make advances to those agriculturists who can offer some security but the Kabuli money-lenders and some other people generally grant loans without any security. They therefore charge a high rate of interest. The percentage of secured and unsecured loans will be 80 : 20.

(iii) The Government does not generally finance agriculture in this part of the country. Loans under the Land Improvements Loans Act are rarely granted and only influential persons can take advantage of the provisions of the Act. No good is done to the actual tillers of the soil. There are rural co-operative banks which are financed by the Central Co-operative Bank. The loans granted are small and the educated villagers take a leading part in the organisation of such banks. They themselves take the greater portion of the loan leaving a nominal amount for the real agriculturist. The professional money-lenders sometimes finance industries, but they make advances on good securities and charge high rates of interest.

(iv) The total amount of capital required for affording banking facilities of all descriptions in the district of Murshidabad shall be at least one crore of rupees.

(v) The conditions may improve if Government grants sufficient loans liberally to agriculturists under the Land Improvements Loans Act. The amount of special agricultural loans shall also be increased. The rural co-operative banks should be intended for agriculturists only and those who are not actual tillers of the soil should not be allowed to become members.

(vi) There is no co-ordination among the various banking agencies. The Government loans are granted on the recommendation of Circle Officers and the co-operative banks work independently. The Sub-divisional Officers are not always in touch with the co-operative banks. I think the Circle Officers should become *ex-officio* members of the Central Co-operative Banks and they should also be vested with the power of inspecting rural co-operative banks.

Question 2. (i) The principal crops are sold to the local mahajans by the cultivators. They cannot hold up their crop for a better price for they have to meet the demands of the money-lenders, landlords, etc.

(ii) Co-operative sale societies and dharmagolas may be started for the benefit of the agriculturists.

(vi-b) I may state here that in these years the agriculturists have been hit hard by speculative banking. The price of jute is being lowered by the union of foreign purchasers and mill-owners. It seems to me that Government should encourage the formation of such societies.

Question 3. (i) The value of land per acre varies from Rs. 100 to Rs. 1,800.

(ii) The value of land in Government auction or sale by court decree is lower because good lands are not generally sold in such auctions and sales: Lands on which sugarcane, potatoes, vegetables, etc., are grown, especially those plots which are near the railway stations are sold at a high price.

Question 4. (ii) The amended Bengal Tenancy Act has affected the credit of the agriculturists by granting the right of pre-emption or prior purchase to the landlords.

Question 5. (vi) The agricultural indebtedness is increasing in this part of the country on account of occasional failure of crops.

(vii) & (viii) Please see answers to Questions 1 (iii) and (v).

(ix) The Kabuli money-lenders are to be found in this part of the country. I have dealt with the question in my reply to Question 1 (ii). They rarely go to court, but realise their dues by threats and persuasions.

(x) The instances of usurious rates of interest are many. In one case a money-lender advanced Rs. 100 on mortgage of some property and after 12 years got a decree for Rs. 1,200.

(xii) No definite standard in the rate of interest is followed by courts and this depends upon the good sense of the trying officer.

(xiv) Please see answer to Question 1 (v).

(xv) The prevalent rate of interest for paddy loan in this part of the country is 50 per cent. for 6 months, i.e., cent. per cent. per annum.

(xvi) The rates of interest charged are according to months and not days. The interest is added to the principal amount month by month or year by year according to stipulation.

(xvii) many efficient farmers are losing their lands and they are becoming tenants-at-will or cultivators in *Bhag-jote*. Lands are gradually passing into the hands of creditors and landlords.

(xviii) The cultivators do not try to grow much and they do not make permanent improvements as they have no permanent interest in the land.

Question 6. (i) Gur-making is practised in some villages in February to April every year.

(ii) Every village has its *Sál* containing an oven for making *gur*. The machines used are of primitive nature and much juice is not extracted from sugarcane. Moreover, sometimes through ignorance acid is allowed to be formed. If a group of villagers combine they may purchase or hire up-to-date machines. Sugar-making may also be encouraged.

(iii) As in this part of the country paddy is the main crop the cultivators have very little to do for 6 months every year. During this spare time they may take to spinning, weaving, etc. This will supplement their income.

(iv) & (v) This can be done by making small advances from rural co-operative banks.

Question 6B. (i) The small traders, fishermen, braziers, service-holders and middleclass gentlemen cannot borrow money from agricultural co-operative societies. In many cases they go to the mahajans. There are very few co-operative societies for such persons and those which exist suffer from want of funds.

(ii) The purposes for which they borrow money are to repay debts, to defray marriage expenses, to construct houses, to push on some trade, etc. The rate of interest depends on the social status and credit of the borrower. It varies from 9 to 150 per cent. per annum.

(iii) The middle class men and small traders do not get much help either from the co-operative societies or from the Government. The Bengal Provincial Co-operative Bank and the Imperial Bank should finance all banks with limited liabilities and they should not be financed by central co-operative banks as at present.

(iv) Some middle class men are trying to save, but on the whole their indebtedness is on the increase.

Question 7. (i) The co-operative banks grant loans for short and long terms. The loans for short term are not repaid generally within the prescribed period and thus the societies have to pay heavy penal interest. In my opinion short term loans should be granted only in special cases. It is however also difficult to obtain capital for long term loans.

(iii) As at present this district will require at least 40 lakhs of rupees for financing the co-operative banks.

(v) Further concessions should be granted to co-operative societies. I would strongly urge the reduction of money order fees on all sums remitted through Post Offices.

Question 7A. (i) Co-operative central banks are intended for financing rural societies and if these banks also grant loans to individual members or depositors, the urban and town co-operative banks and other primary banks will collapse.

Question 7B. (i) There has not as yet been any appreciable change in the rates of interest owing to the establishment of co-operative societies.

(ii) Co-operative banks have not been able to replace money-lenders to a great extent in this part of the country. I know of an instance in which some reputed money-lenders have started a co-operative society to get the benefits of provisions of the Co-operative Act. They make small advances to their neighbours from this bank but when big sums are required they do so in their private capacity as mahajans.

(iii) The rural people are illiterate and they are often cheated by power loving and half educated people. Moreover, all co-operative banks suffer badly from want of funds. New societies are not allowed to be started until funds are available.

103.

Mr. D. N. Roy Chaudhuri, Secretary, Raruli Central Co-operative Bank, Raruli (Khulna).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a), (b) and (c) Members of co-operative societies usually get money from co-operative societies, while others have to go to mahajans.

(ii) Outsiders have to raise loans from mahajans at a rate varying from 25 to 37½ per cent. (simple or mortgage bonds) and sometimes on usufructuary mortgage bonds (standing crops for the interests), whereas members of co-operative societies get loans at rate generally of 15½ per cent. from their societies.

(iii) Partly the Government and co-operative banks issue advances in agricultural finance.

(iv) No.

(v) No.

(vi) No.

Question 2.—(i) On account of the acute poverty, most of the raiyats are compelled to dispose of their produces just after the harvest to the mahajans, partly in cash payment and partly for the advance taken from them at the time of cultivation.

(iii) There were two sale and supply societies in our area, one of which was closed before the commencement of its work and the other commenced work with share capital and deposit from the members. For want of general literate members and honest workers the society was closed and placed under liquidation.

(vi) (a) and (b) The export trade is entirely in hands of the merchants, who secure the production partly on cash payments and partly by the advance before the harvest.

(c) The merchants import goods and sell them to the consumers through the middlemen.

(vi) (b) If the producers (of jute and paddy) can sell their products directly to the consumers through any central agency, who can take up the exports and advance money to the producers to meet their petty requirements, they may get the better price.

Question 3.—(i) The price of jute-growing-land varies from Rs. 200 to Rs. 300 and of paddy from Rs. 100 to Rs. 500 per acre.

(ii) (c) The value of land in purchase by private negotiation is much higher than in (a) and (b).

Question 4.—(i) No.

(ii) Yes, to some extent.

(vi) Land mortgage banks may be started on co-operative basis to invest money for long terms at a reduced rate of interest.

(viii) to (xii) The capital of the land mortgage banks may be raised by issuing debentures at a low rate of interest and the major portion of them should be subscribed by the Government.

Question 5.—(iii) (a) and (b) The amount of debt raised by land as security in form of mortgage is preferred to the security of movables.

(v) Mostly professional money-lenders.

(vi) Increasing.

(vii) Partly met by agricultural loans.

(ix) Yes, they invest money at an exorbitant rate of interest in some places of the district.

(xi) In respect of mortgage bonds also exorbitant rates of interest are charged. Those mortgage bonds should also be governed by the Usurious Loans Act.

(xiii) Yes, to some extent.

(xiv) Formation of seed supply societies on co-operative basis may be started in different centres to meet the requirements of the raiyats.

(xv) 50 per cent.

(xvi) 50 per cent. interest in kind and in case of non-payment compound interest at the aforesaid rate is charged.

(xvii) Yes.

Question 6B.—(i) Some take loans from different co-operative societies or from local mahajans or from Kabulis, etc.

(ii) The rate of interest varies from 15 per cent. to 37½ per cent.

(iii) The requirements of the non-agriculturists are partly met with by co-operative banks and partly by joint stock banks, but not at all by Government.

Number of co-operative banks should be increased so that the non-agriculturists may be members of the same and the finance of them should be made by the Government at a low rate of interest.

(iv) Increasing.

Question 7.—(i) Relations between co-operative banks and joint stock banks are practically neutral, but with the Imperial Bank of India there is some relationship.

(vi) Co-operative societies should be exempted from all sorts of taxes, and money order commissions on remittances between co-operative societies are exempted.

Question 7A.—(v) It will be more attractive to non-member-depositors of co-operative societies, if they are allowed to get loans on the security of their respective deposits at a rate of interest a little higher than that they receive on deposits.

(iii) Yes.

(v) Where there is Government Treasury or Branch of Imperial Banks the co-operative societies of such locality can undertake the banking remittances from one place to another.

Question 7B.—(i) The local rate of interest on loans, secured and unsecured, has been reduced to a certain extent.

(iii) The mahajans and the landlords who have money-lending business are not friendly with the co-operative movement.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—(a) Khulna Loan Company, Khulna Kayestha Bank, Khulna Banking Corporation, Star of India (Khulna).

(b) Bagerhat Loan Company.

Question 5.—(ii) They charge compound interest at the rate of such interest as specified in the documents on mortgage bonds.

Question 10.—It might prove beneficial.

Question 12.—There was one such bank-failure in the Bagerhat subdivision. The causes are not known to us.

Part II.—Indigenous Banking.

Question 10.—No.

Question 11.—(ii) This is a noble suggestion.

Part III.—Investment Habit and Attraction of Capital.

(iii) Home safe boxes, Savings Banks, etc.

(iv) Yes.

(v) Yes, it may be improved to a certain extent.

(vi) Yes, they are generally found in the habit of hoarding silver and gold.

Question 2.—(i) Yes.

(ii) Yes, sometimes they require revision.

(iii) Yes, rate of interest should be enhanced.

(iv) Generally middle class.

(v) An increased rate of interest may attract other classes to invest.

Question 3.—(i) If the Government papers are transacted through the post offices, it might have wider market even among the agriculturists.

(iii) The people are generally in the habit of hoarding money without investment and sometimes they invest by purchasing lands, etc.

(iv) Yes, sometimes they do so.

Question 4.—(i) Not existing in this area.

(iv) It might be introduced.

Question 5.—(i) Yes.

(ii) Ignorance and irregular habits of the people stand on the way.

(iii) The people may be enlightened in this respect by post offices, co-operative societies, lantern lectures and other means of propaganda.

(iv) In every district town there should be opened a branch of the Imperial Bank.

104.

Maulvi Muhammad Sabetullah, Secretary, Caffargaon Central Co-operative Bank, Ltd., Caffargaon (Mymensingh).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) Farming is carried on with a minimum of capital, there being practically no outlay on fencing, buildings or implements. The accumulation of capital is prevented by the occurrence of famine and the high rate of interest and extravagance of expenditure in marriage celebrations. The organisation of co-operative credit which has been taken in hand by Government, and which has already proved successful will undoubtedly lead to an increase in agricultural capital.

(The present system is that the agriculturist obtains finance for (a), (b) and (c) from the mahajan, the commercial bank, the loan office and the co-operative societies, not even now very extant nor diffused all over the district.)

Owing to his poverty, combined with want of education and consequent lack of foresight, the agriculturist has to incur heavy debts to meet occasional expenses for current seasonal purposes (a), the improvement of his land (b), (c) or for ceremonial objects, and he has therefore to seek the assistance of the local money-lender, known as the sowkar or the mahajan.

The rates of interest on such advances, though varying from district to district and even in different parts of a district, are generally very high. In addition to charging excessive rates the mahajan extorts money under various pretexts such as gadi-salami, kalipujah, etc., and takes from the needy borrower bonds on which stamp duties are payable.

(ii) The rates of interest charged in this district in respect of advances range between Rs. 3-8 and Rs. 12-8 per cent. per month; for three years in most cases since due, not exceeding twelve years; land-mortgage, personal security, standing crops to pay interest alone till the sum borrowed is paid back in whole.

The percentages of secured and unsecured loans are 80 per cent. to 20 per cent.

Mortgages are taken occasionally, especially as security for loans for large amounts by the mahajans, banks and loan offices.

(iii) Co-operative banks, the indigenous banks and bankers and professional money-lenders advance loans to finance the agriculturist, i.e., he borrows money from them. The mahajans and the loan offices play a very important part in financing the agriculturist, though mostly with bad motives, taking advantage of his ill luck due to certain causes that he cannot avert.

(iv) Yes, the total amount of capital required for the various purposes may be estimated, for this district, to be about 6 crores of rupees. This should be advanced through a net work of co-operative societies, to be established at once, to save the agriculturist from the all-devouring mahajans and loan offices.

(v) There are many defects, the general among them being (1) that there is no co-ordination among the various credit agencies, (2) that their respective motives collide, some desiring to improve the condition of the raiyats, some to exploit them with their ill-handedness, etc.

I do suggest the example of Scotland to be followed by establishing a central bank for the whole of India to control the currency and credit policy of the country, to issue notes, and as and when necessary to grant facilities to agriculture, commerce and industry through joint-stock.

(vi) No, there is no co-ordination in the true sense among them; there is scope for improvement.

Question 2.—(i) As soon as the principal crops, such as jute, rice, etc., are ready for markets, the agriculturist over-stocks the markets with them. (At the recent high range of prices jute may be considered to have been for the last few years the best paying crop, it is being grown excessively resulting in the fluctuation of prices from year to year, the market holding out at times high prospects, at others low, so that the ambitious and illiterate extravagant agriculturist having no foresight will be soon ruined, if no immediate steps be taken to check the rapid poverty.)

Yes, he is quite unable to hold up his crop for a better price for obvious reasons, i.e., owing to his proverbial poverty to pay loans, rents, and mahajans.

(ii) Co-operative societies have until recently been organized only to supply cheap credit to their members, but there are various other fields of work to which they may extend their activities.

Joint sale of produce gets popular as co-operative credit thrives and agriculturists become less dependent on local traders. There ought to be a vigorous move to organize the sale of jute on co-operative lines. A vigorous propaganda is to be undertaken for the purpose and a central sale and supply society is to be started. It will indeed be a great achievement if these efforts are successful and the cultivator obtains adequate returns for his produce. *At present he buys in the dearest market, and sells in the cheapest.* But if co-operative purchase and sale show good progress his economic position will be much improved.

(iii) Yes, there are co-operative sale societies in the district but they hardly answer the purpose aimed at. They are constituted on share basis with limited liability.

Yes, they are linked to a central organisation.

They are financed from the share money among the share-holders and from local deposits and loans from other co-operative societies.

Yes, they certainly experience difficulties in obtaining funds for they cannot as yet fully create confidence in themselves as well as in the public.

(iv) There ought to be, as has been in some districts, a vigorous move to organize the sale of jute on co-operative lines, and to start immediately an adequate number of sale and supply societies that will afford facilities to the agriculturists in the locality to deposit their products with them to be sold when better prices offer themselves by advancing a sum sufficient to cover the face value, to be recovered later on with some profit (percentage being fixed) only to enable them to meet their present demands. The facilities actually existing are not adequate and cannot meet all-wide demands during marketing.

(vi-a) I suggest the establishment of sale and supply societies at large having sole connection with the mill-owners both indigenous

and foreign, and eliminating the crafty merchants and selfish dealers holding the intermediate position.

(vi-b) I hold the same views. Not only this district but even the whole province shall bear testimony to the truth of the suggestion that the speculative buying and selling activities of firms and companies and other bodies control the prices in the market.

Yes, registered co-operative sale and supply societies having connection with indigenous and foreign mill-owners shall have to be scattered broadcast all over the country, wholly obviating the existence and presence of the intermediate people who use their caprices to control the prices.

(viii) The existing facilities are—

- (1) Personal conveyance;
- (2) money order;
- (3) insurance;
- (4) cheques;
- (5) drafts.

Question 3.—(i) The value of land per acre—

for jute—Rs. 1,600.

for paddy—Rs. 1,000.

(ii) (a) $\frac{1}{2}$.

(b) $\frac{3}{4}$.

(c) For jute—Rs. 1,600.

For paddy—Rs. 1,000.

Question 4.—(i) Joint heirship is one of a few legal impediments to mortgage of land and agricultural holdings.

(ii) The amended Bengal Tenancy Act has lowered the price of land. As a result, the raiyats cannot borrow as much money as before on mortgage of agricultural holdings and are about to be impoverished.

(iv) There are no land mortgage banks; there are some agricultural banks, though inadequate in number, for the provision of long term credit.

(v) Agricultural banks are financed by the Provincial Bank, the central co-operative banks, fixed and current deposits by members and non-members, and paid-up share capital. They are registered under the Co-operative Societies Act and affiliated to the local central co-operative societies who grant loans and supervise their works.

(viii) Yes, the working capital of the proposed mortgage bank should be derived from (a) deposits, (b) funds from central institutions secondarily and (c) debenture bonds primarily as in Scotland.

(ix) Yes, debenture bonds should carry Government guarantee for principal as well as interest to obviate other difficulties due to caprices, craftiness on the part of the authorities holding sway over them.

Question 5.—(iii) (a) The amount of debt with land as security in the form of a registered mortgage is 80 per cent.

(b) The amount of debt incurred against any other assets is 10 per cent.

The amount of debt which is given on the general security of all the assets without a specific pledge is 10 per cent.

(v) This debt is largely due to professional money-lenders and co-operative societies.

(vi) Yes, it is decreasing a little owing to the co-operative organisation in the village.

(vii) They have not had any very serious influence on the agricultural credit of the country as the Government advances are made only for specific purposes connected with agriculture and also entail more formalities than the village loans and the payment is enforced with greater rigidity.

(ix) The number of itinerant money-lenders at present has decreased to a large extent. The Kabulis are rarely seen now.

(xiii) Yes, in some cases.

(xx) From Rs. 12-8 to Rs. 15-10 payable in three months, if not paid within the time stipulated, the principal and the interest accrued thereto becoming the principal.

(xxvii) Yes.

Question 6B.—(i) They obtain loans on personal security.

(iii) The co-operative banks and the indigenous bankers help them now.

(iv) Their indebtedness is on the increase.

Question 7.—(i) In some places the co-operative banks obtain loans from the Imperial Bank of India. Other kinds of banks act contrary to co-operative principles and try to dissuade the people from going to co-operative banks.

(iv) Yes.

(vi) Yes; special exemption from income-tax to genuine co-operative societies, inclusion of debentures issued by the Provincial Co-operative Bank in the list of trustee securities, reduction of fees on money remitted through post offices ought to be extended to stimulate the growth of the co-operative movement.

Question 7A.—(i) Yes, though against the principles of co-operative movement, only to save people requiring large sums to finance their business from the clutches of the mahajans, who charge heavy rate of interest and allow the debt to continue in most cases for generations.

(ii) Yes.

(iii) Yes.

(iv) At present hardly any.

Question 7B.—(i) The establishment of co-operative societies in rural areas has already been successful to some extent in redeeming the chronic indebtedness of the agriculturist, but the system has not been successful in solving the problem of rural stagnation as it is clear that it is not facility for obtaining cheap capital alone which will raise the agriculturist and relieve him from his debts, but the provision of capital combined with the inculcation of habits of thrift and self-help

(ii) As the bye-laws place a limitation on the amount of loan that can be advanced to an individual and financing agencies are often unable to make long term advances, societies cannot be said everywhere to have supplanted the money-lender. What should be and generally is borne in mind is that the expenditure is inevitable and that it is not excessive in amount.

(iii) (1) The part played by organised banking in the financial life of the people of rural areas is inconsiderable when contrasted with that which is played by the private Indian banker, who is to be found everywhere, in every village. The type ranges from the small village capitalist to the wealthy well-established private partnership. Funds lie with the Indian bankers on time deposit, at rates much above those which are available from the banks. The private bankers can afford to pay attractive rates of interest as well as their requirements, as to security are less rigid; their participations in the financial life of the community as a whole are on a very extensive scale.

(2) Co-operative banks cannot attract easy deposits.

(3) They insist on the restriction of loans to productive objects.

(4) They place a limitation on the amount of loan.

(5) They observe strict formalities.

(6) Ignorance of co-operative principles.

105.

Mr. R. N. Dutta, Honorary Secretary, Central Co-operative Bank, Netrokona (Mymensingh).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a), (b) and (c) Loans (secured and unsecured) from credit societies, loan offices, banks and mahajans.

(ii) Interest varies from 9½ to 150 per cent. per annum. The period varies from 1 year to 2 years. Lands are generally mortgaged. Loans are advanced against labour as service to the mahajan.

The percentage of secured loan is 25 per cent. as against unsecured 75.

(iii) The Government and the Imperial Bank practically do nothing directly to finance agriculturists. Co-operative credit societies and loan offices are doing a bit. The bulk of finance comes from money-lenders and mahajans. There is no organisation for financing agriculture.

(iv) No.

(v) There is no fixed rate of interest. There is no financing agency where the cultivator is sure of relief in times of need. There are no definite rules for repayment. The borrower is always at a disadvantage and at the mercy of the money-lender.

Remedies.—I suggest a net-work of rural societies under the Co-operative Department.

(vi) No co-ordination among the various financing agencies. Yes.

Question 2.—(i) There is no marketing society sufficiently. Agricultural products are either sold to beparies, middlemen or carried to the nearest market for sale by the grower, but there also he cannot very often sell his products to the consumer.

The raiyat is unable to hold up his crop being pressed by poverty. The sale-proceeds of his products being the only source of his income for maintenance of his family and meeting other occasional needs such as payment of rents and repayment of debts, he cannot afford to wait for better price.

(ii) There are good possibilities for co-operative efforts to be made in marketing produce—such as sale and supply societies and co-operative stores.

(iii) Yes, there is one sale society here in this subdivision and two others of the kind in the district. They consist of share-holders. They do not experience any difficulty.

(vi) They do not practically do anything towards financing of exports and imports.

(a) Great difficulties are experienced in this matter. I would suggest, the available facilities may be improved by extending co-operative sale and supply societies and other similar institutions for financing the product and affording facilities for import and export.

(b) The suggestion is true. Only way to remedy this evil is to start institutions on co-operative basis for finished product from raw materials by Indians. Co-operative jute mills and similar other factories should be started so that monopoly of foreign trade can be destroyed.

(vii) Yes. I think so.

(viii) Remittance transfer receipt through the Government treasury and hundi system.

(ix) In hundi system there is no standard of fees fixed.

(x) It plays an important part.

(xi) Yes, there should be reduction of duty and that should be standardised.

(xii) Hundis are of two kinds—one requiring payment immediately on presentation, another after certain specified time.

(xiii) Yes, I think so.

(xiv) Generally they are sent to provincial centres.

(xvi) Yes, it should be done.

(xvii) Bill of lading or malchalani.

(xix) I am in favour of licensed warehouse.

(xx) Yes, certainly.

Question 3.—(i) Variable at locality.

Price varies from Rs. 250 to Rs. 1,000 per acre.

Jute yielding lands are generally sold for greater price than paddy and other lands.

(ii) (a) Smaller.

(b) Small.

(c) Normal—because in two former cases people do not come to bid for want of publicity and because it involves litigations in which sales are set aside.

Question 4.—(i) Not appreciable.

(ii) It has afforded a facility but lands will in time accumulate in the hands of creditors.

(iii) Because it includes the possibilities of weakening the society.

(iv) Yes—but very small in number.

(v) Lending money on the mortgage of lands situate within the jurisdiction, collection of share-money, deposit, loans from Provincial Banks, etc.

(vi) It is in existence, but more should be created on the co-operative basis in a bigger scale.

(vii) (a) Record-of-rights with details of claims if any and with incumbrances if any attached to the property.

(b) It would be helpful if the unusual delay in course of execution of decree in court can be avoided. I suggest, arbitration as allowed under the co-operative laws and the decree to be executed as a certificate under the Public Demands Recovery Act.

(c) Any step towards it will be appreciated.

(viii) (a), (b) and (c) Yes.

(ix) Yes.

(x) Possibilities of loss are very remote.

(xi) On terms of reasonable interest. There should be Government guarantee.

(xii) Yes.

Question 5.—(iv) Generally for all these purposes debts are incurred.

(v) Mainly the professional money-lenders.

(vi) Increasing.

(vii) Practically nothing.

(viii) Yes.

(ix) Yes, they generally sell goods such as cloths, etc., on credit for double value than the actual price.

(x) There are good many instances known.

(xi) The application of the Act should be made compulsory in any case.

(xii) Yes, generally it is applied in unsecured loans.

(xiii) Sometimes it is done.

(xiv) I suggest, starting of rural societies under the Co-operative Department for supply of the seeds through the central banks.

(xv) 150 per cent.

(xvi) Generally double the quantity realisable in the harvest time.

(xvii) Yes.

(xviii) Yes.

Question 6.—(i) (v) Mostly by individual capital or by joint stock company, often by borrowing money at a higher rate of interest. These institutions should be affiliated to some central organisation which can help them with finance at small rate of interest.

Question 6B.—(i) They have got very limited facilities. They have either to pledge their labour—or pawn their valuables.

(ii) They borrow generally for buying the necessaries of life—at a high rate of interest.

The rate of interest of secured loan is 37½ per cent.

(iii) The Government does help them in advancing loans. The joint stock banks and the indigenous banks only exist in the land for sheer profiteering. They demand interest at exorbitant rate.

For better financial facilities, co-operative banks are the only institutions which I can suggest; there should be a net-work of these through the country.

(iv) Yes—increasing.

Question 7.—(i) I do not know of any connection subsisting between co-operative banks and the joint stock banks or indigenous bank—except that of remittances can be made through the Imperial Bank and cheques and hundis can be cashed.

(ii) No other difficulty except that sufficient money cannot be had to cope with the indebtedness of the people as the other banks do not co-operate in the matter of finance with the co-operative banks.

(iii) Three crores of rupees.

(iv) and (v) Yes, there is competition in the matter of securing private deposits—as they give higher rate of interests on deposits.

(vi) Yes.

Question 7A.—(i) Yes—to the depositors and that will induce deposits.

(iii) Yes inter-lending is desirable.

(iv) At present no assistance is rendered.

Question 7B.—(i) No appreciable result has yet been achieved but it will surely reduce the prevailing rate of interest.

(ii) As above.

(iii) Insufficiency of capital and the illiteracy of the people.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—(b) (1) The Netrakona Loan Office.

(2) Gouripur Loan Office.

(3) Model Bank.

(4) Pallimangal Loan Office.

(5) Fulhar Loan Office.

(c) Purbadhala, Barbhatta, Kendua and Mohanganj.

Question 3.—(i) 3½ per cent. to 9 per cent.

(ii) Ten years.

Question 5.—(i) The period varies from one week to 12 years. There are no fixed purposes for which loans are sanctioned. The rate of interest varies from 12 per cent. to 75 per cent.

(ii) Compound interest is charged.

(iii) Interest for three months is generally realised in advance.

(iv) Yes. If interest is regularly paid, no action is generally taken for default. If both principal and interest are not paid, compound interest is charged and realised.

Question 6.—(i) Yes, on mortgage of lands.

(ii) No. Both the mahajans and loan offices are equally exacting.

Question 7.—(i) No. The total amount is invested in loans.

Question 8.—(i) Generally 25 per cent. of the profit goes to make up the reserve fund, but it works with the capital.

(ii) 15 per cent to 80 per cent.

Question 9.—(i) These offices follow the Bengali Mahajani system of keeping accounts.

(ii) Yes. There should be one uniform system of accounting.

Question 10.—It would be a good thing if all these loan offices can be federated into a central organisation.

Question 11.—As these are all profiteering institutions allurements of bigger profit can only induce them towards financing trade and agriculture.

Part II.—Indigenous Banking.

Question 1.—There is no indigenous banking properly so called in this part of the country. Individual firms and private money-lenders may be grouped under this classification.

Their practical business is—

(i) money-lending on interest, and

(ii) money-lending on interest on produce such as paddy and jute.

Question 2.—They assist in financing agriculture, trade and industry to a very small extent.

Question 3.—(a) No defined organisation.

(b) Small.

(c) In case of a firm, expenses includes only maintenance of a small staff and house rent, etc.

(d) They keep no connection practically to such institutions.

Question 4.—Only Hundis.

Question 5.—(i) They grant loans singly on bonds—registered and unregistered handnote—sometimes verbal loans noted in the khata or book of advance account against crop, jute, paddy and mustard, etc.

(ii) They rely mostly on their own private fund—or sometimes they borrow money on smaller rate of interest from other money-lenders or firms.

(iii) They seldom get deposits on fixed term. They pay no interest on current deposit, if any.

Question 6.—(i) 37½ per cent. to 150 per cent. per annum.

(ii) By standardising the rate of interest by legislature and by spreading co-operative societies.

(iii) Yes.

Question 7.—(i) Not much.

(ii) Yes.

(iii) No.

(iv) Not always.

(v) There is one defect existing, though rare; they take interest in advance and also take bonds for greater amount than what is actually lent.

Question 8.—(i) and (ii) By codifying certain restriction towards that direction.

(iii) No.

(iv) It is desirable, though they will not like it.

Question 9.—They get their money back with sufficient profit.

Question 10.—Yes, it happens sometimes.

Question 11.—(i) By introducing certain measures and placing them in a way to co-operate with any central organisation.

(ii) I think it will serve the purpose.

(iii) If the Government appears to be at the back such as it is in the co-operative banks.

Question 12.—(i) Yes, there are.

(ii) Yes.

(iii) By introducing hundi system, issuing debentures, etc.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) Investment and deposits by the people are the main resources of banking.

(ii) Very difficult to estimate.

(iii) Through the rural Co-operative Societies in the villages and introducing "Home-Safe Boxes" to the members of the societies or associations.

(iv) No, not fully.

(v) Yes.

Question 2.—(i) Not much, yes it can be made more attractive by increasing the rate of interest or profit.

(ii) Yes.

(iii) Yes, the interest is very low.

(iv) Only the educated people.

(v) Yes, by raising the rate of interest and by preaching to the mass.

(vi) The alleged competition is very small.

106.

Mr. Sailaj Lal Chatterjee, B. L., Chairman, Nimta Central Co-operative Bank, Nimta (24-Parganas).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) Either from his own saving or by loan.

(b) By loan.

(c) By other means as labourer; generally makes default on failure of crops.

(ii) The usual rate of interest varies from $37\frac{1}{2}$ to 150 per cent. Generally simple bonds are accepted. In some cases standing crops are secured in this way. The agriculturist agrees to sell the crops to the money-lender or the person who advances him the necessary funds for harvesting at a certain agreed rate which is generally less than the anticipated market rate. The percentage of secured loan does not exceed about 5 per cent.

(iii) Here by co-operative bank, professional money-lenders like Kabulis, kistiwallas and other small money-lenders.

(iv) Rupees 30,000 to Rs. 40,000.

(v) The principal defect in financing agriculture is the want of proper organisation. The interest charged by the co-operative banks are high (15 per cent.). I suggest that agricultural bank should be established with a capital of, say, Rs. 25,000 to Rs. 30,000 and money advanced to the agriculturist direct on the security of standing crops over and above the usual securities, and proper collections be made at the time the agriculturist disposes of his crops.

(vi) No, there is enough scope on the lines indicated.

Question 2.—(i) There are absolutely no marketing facilities. Small dealers in agricultural produce buy the commodities locally. The vegetable growers either sell to the middlemen (farias) or they themselves sell in the neighbouring market. They are unable to hold up their crop for better price on account of poverty and indebtedness. Those who have other means of livelihood, retain a part of their produce (in case of paddy, etc.) for their own domestic consumption.

(ii) This is possible, provided honest workers and adequate financial assistance is available.

(iii) No, except a Co-operative Dispensary which works well.

(iv) Co-operative marketing societies may be established with properly trained staff. The Central Bank is prepared to finance such societies. As there is no facility the agriculturists depend entirely on small dealers.

Question 3.—(i) Approximately Rs. 450 for jute and paddy lands and Rs. 550 to Rs. 600 for high lands suitable for growing vegetables.

(ii) (c) fetches more than (a) and (b).

Question 4.—(i) Yes, to some extent.

(ii) The amended Bengal Tenancy Act is in force for a few months only; it is too early to anticipate its effects.

(iii) Not much on this side of the country where the requirements of the people are small.

(iv) No land mortgage bank registered as such. But the credit banks are practically giving long term loan. Rupees 200 is advanced to an agriculturist on the mortgage of his property. He is to repay by a monthly kist of Rs. 2 (or Rs. 6 a quarter). He gives a bond to repay the amount in 24 kists, that is to say, Rs. 2 for 23 kists and Rs. 154 for the last kist. He executes a fresh bond for Rs. 154 and repays Rs. 46 in the next two years and so on. He repays the amount in 100 months i.e., in over eight years. The central bank here also gives long term credit to the rural banks on the above principle.

Question 5.—(i) I can give such an estimate for a few villages.

(ii) This can be ascertained if a confidential census is taken by the village panchayets, provided he is not asked to give the names of the persons who are in debt.

(iv) (e) Generally when a decree is executed against him.

(f) and (g) (cattle only) and not for (h) and (i), only two cases are known where the debts are for sinking of tube-well.

(r) Co-operative societies and professional money-lenders.

(vi) To a small extent decreasing.

(ix) Yes, Kabulis; they take hand-notes and generally levy interest at the rate of 124 to 150 per cent. per annum. There are other kinds of money-lenders known as kistiwalla (upcountry people). They realise their dues by instalments. If a man wants a loan of Rs. 10 he will have to repay the same in nine weekly kists at the rate of Re. 1-4 per kist (instalment). He would really pay the debtor Rs. 9 and deduct Re. 1 as cost for keeping accounts. So that in nine weeks the debtor has to pay Rs. 2-4 as interest on Rs. 9; this comes up to over 120 per cent. per annum.

(x) I know of one case in which a bond for Rs. 10 was renewed several times and a decree for Rs. 500 was passed against him after 5 or 6 years by the Alipore Court.

(xi) The courts always take into account the Usurious Loans Act. The Act should be amended on the lines of Damdupat Law.

(xii) No standard rate followed by courts in unsecured loan; in secured loan generally 12 per cent. compound interest allowed.

(xvii) Yes.

(xviii) Yes.

Question 6.—(i) No. This place being close to the town, there are very few who depend entirely upon agriculture. They are either masons or carpenters or deal in bamboo, or get work as day labourers. Garden producers get work all the year round.

(ii) No industry except suit-case makers. Credit facilities cannot be given to them by the co-operative banks as the rate of interest is too high for industrial purposes.

Question 6B.—(i) Urban co-operative bank.

(ii) Generally for paying off earlier debts, marriage and other social functions, education and medical expenses. The rate of interest is the

same. There is no difference in the case of secured or unsecured loans. The secured debtors are given longer credit.

Question 7A.—(i) No.

(ii) No.

(iii) No objection.

Question 7B.—(i) Not much.

(ii) To some extent. A few small traders have lost their business; some of them have invested their savings in the co-operative banks.

(iii) Proper organisation, want of adequately paid organisers and supervisors—The rate of interest should be lowered. This can only be done if the Government advances money to the Provincial Co-operative or approved central banks at favourable rates of interest.

Part III.—Investment Habit and Attraction of Capital.

Question 3.—(i) The farmers generally invest their surplus money in the purchase of land and in some cases they lend money to the less fortunate agriculturists.

Question 4.—(ii) None but educated people use cheques.

(i) Yes, vernacular scripts should be introduced.

107.

Mr. Atul Krishna Bhattacharyya, Secretary, Krishnabati Co-operative Society, Guptipara (Hooghly).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) (b) (c) From co-operative central societies, local mahajans, and in some cases from Kabulis.

(ii) Co-operative societies charge $10\frac{1}{2}$ to $12\frac{1}{2}$ per cent. on short-term loans. Local mahajans charge $18\frac{1}{2}$ to $37\frac{1}{2}$ per cent. per annum; Kabulis charge 75 to 150 per cent. per annum.

Co-operative societies and mahajans advance loans on rough hypothecation of the standing crops. Kabulis see to nothing. Over and above the interest, mahajans take $2\frac{1}{2}$ to 5 seers of excess materials to the maund, i.e., they treat 1 ind. 5 seers as one maund when they weigh. They pay also 4 annas less to the maund than the bazar rate.

Larger sums for special purposes are advanced only on mortgage of landed properties and buildings. Smaller sums may also be had by pawning jewellery at 12 per cent. per annum. Secured loans—20 per cent. Unsecured loans—80 per cent.

Local mahajans generally add interest to the principal every sixth month.

(iii) The following figures are given relating to the area covered by the union of Guptipara, which has a population of not less than 10,000, mostly agricultural. There are 16 co-operative credit societies in this area with a total capital of Rs. 75,000. Total debts of the

farmers in this area may roughly be estimated at Rs. 1,00,000, of which—

	Per cent.
Co-operative societies have issued	75
Local mahajans	20
Kabulis	5

(iv) Rupees 1,20,000 for the co-operative societies within this union only.

(v) Agriculture should be financed as far as practicable through co-operative societies. All over the country, land mortgage societies should be established and all old and heavy debts should be transferred to these banks, and very long repayment kists should be allowed. The existing societies will then advance only such amounts as may be necessary for raising the crops. The indebtedness of the agriculturist is so appallingly great that unless this is done their condition will become critical.

(vi) Funds permitting, rural co-operative societies should be allowed to invest their surplus balances in neighbouring societies for short periods with the consent of the local central co-operative banks.

Question 2.—(i) The crops are sold to meet the demands of money-lenders and zamindars.

(ii) In most cases the raiyat is unable to hold up his crops for a better price, as his creditors press him to pay up the sums due to them; and also to maintain his own family; in some cases where the raiyat is able to hold up his crop for better prices, he sells it up as early as possible, simply because he is afraid that the price will fall too low.

Co-operative effort generally in marketing produce will in my opinion be successful.

(iii) No.

(iv) If a number of "co-operative sale and supply societies" are formed, the raiyats receiving loans from existing co-operative societies may be required to place their produce at the disposal of such societies, who will wait for better prices.

(v) No special differences.

(vi) Co-operative societies and money-lenders lend money to merchants and dealers when required. They purchase the principal crops and send them to the nearest mokams, Katwa and Seoraphuli, and sometimes to the port of Calcutta.

To meet the necessities of the people merchants and dealers purchase commodities from Calcutta or Kalna and sell them as usual.

(vii) (a) Co-operative societies lend moneys on usual terms, e.g., on securities.

No difficulty is experienced in financing.

(b) The suggestion is correct. I remember last year (1928-29) some dealers in jute acted in co-operation with one another, that they would not raise the price of jute beyond Rs. 5 per maund when the price in Calcutta market was Rs. 8 per maund or over, after a portion of the produce having been sold at Rs. 7 to 8 per maund. As the

raiylats were unable to dispose of their produce except through middlemen, such as these dealers, they were compelled to sell the same at a lower price. Formation of co-operative sale and supply societies, which would advance money to meet the urgent demand of the producers and hold up produce for better price, would improve matter in this respect.

(vii) I see no lack of banking facilities in this union.

(viii) No facilities.

(x) Some money-lenders lend money on "on demand notes."

(xi) I would suggest that the ordinary hand notes which are at present "on demand," should provide a time limit for the repayment of loan, and that the duty on such notes be entirely abolished as in the case of cheques.

(xii) Nil.

(xix) If co-operative sale and supply societies are formed licensed warehouses will be necessary.

(xx) Yes.

Question 3.—(i) In this union the value is as follows:—

	Per acre.
	Rs.
(1) Aus paddy, jute or cereal (high land) ...	75
(2) Aus paddy, jute or cereal (low land) ...	350
(3) Aman crop	175

The differences in value are due to (1) fertility of soil, (2) price of produce, (3) right of occupancy.

Purchase of land by private negotiations generally fetches the highest price. In cases of Government auction for non-payment of revenue, and of sale by court decree if proper notices are circulated equal prices are expected.

Question 4.—(i) Only in case of "char lands," which are on "ut-bandhi" lease system, there is legal impediment to mortgage in this part of the country. In other cases there are no legal difficulties.

(ii) Not appreciable.

(iii) As most of the agricultural holdings are rather small the co-operative societies are not in a position to advance long-term loans for the improvement of such holdings.

(iv) Existing co-operative societies are not authorised to grant long-term loans.

(vi) Existing co-operative societies may be authorised to issue long-term loans on the following conditions:—

(1) that the lands for the improvement of which the loan is issued should be mortgaged to the society;

(2) there should be provision in the mortgage bond that interest should be paid at least once in every sixth month;

(3) that the number of instalments of repayment should be twice the number of years within which the loan is repayable.

(4) that in case of failure to pay the interest or repayment kist the land should, with the sanction of the Registrar, Co-operative Societies, be transferred to the society lending the money.

(vii) The coming Survey and Settlement of this part of the country will, I trust, improve matters in this respect.

(viii) The working capital should be derived from deposits and funds from central institutions. People are not sufficiently educated yet to make use of debenture bonds.

(xi) With Government guarantee it will be possible to attract larger deposits at a lower rate of interest.

To cover expenses there should be a clear margin of say, 2 per cent. between the interest to be paid to the depositors and that to be recovered from borrowers.

(xii) Nil.

(xiii) In addition to the mortgage of land the borrowers should be required to furnish necessary personal securities.

Question 5.—(i) For this union I estimate about Rs. 1,00,000 as existing indebtedness of agricultural classes.

(ii) By taking actual figures, by making confidential enquiries from the co-operative societies, money-lenders, etc., on a certain date, say, 1st of April of every year.

(iii) (a) 20 per cent. (b) 80 per cent.

(iv) (a) 50 per cent. (b) 5 per cent. (c) nil. (d) nil. (e) 15 per cent.

(f) 10 per cent. (g) 20 per cent. (h) nil. (i) nil.

(v) These debts are largely due to co-operative societies and professional money-lenders.

(vi) Seems to be increasing.

(vii) Since the formation of co-operative societies, agriculturists do not take any advantage of these Acts.

(viii) I cannot suggest any.

(ix) Yes. They issue loans at 100 to 150 per cent. on demand notes, and recover their claims generally out of court by frightening borrowers.

(xi) Not availed of. By educating people as to the existence of these Acts, by issue of notifications and circulars once a year, say, in the beginning of the financial year.

(xii) I am not aware of it.

(xiii) No.

(xiv) Co-operative credit societies should maintain seed stores and issue seeds to those who may require them, in lieu of money.

(xv) About 100 per cent.

(xvi) Co-operative societies charge 10½ per cent. to 15½ per cent. per annum. They do not charge interest for the month on such part of the principal as is paid during the month. In cases of failure

of payment of instalment they impose a fine equal to 25 per cent. of the interest. To enforce payment of debts they go to Registrar's Arbitration Court.

Country money-lenders charge 18½ to 37½ per cent. per annum, interest being compounded half-yearly. They enforce the repayment of the debts if necessary through the Court.

As for Kabuli money-lenders, please see answer to question 5 (ix).

(xvii) Yes.

(xviii) It does.

Question 6.—(i) There are several rice mills in this district. Small dairy farms are kept by some agriculturist. Gur industry is dying out.

(ii) By organising with the help of Government co-operative industrial societies of various types. Government should finance such societies and give such expert advice or guidance as they may require. The opening of jute-rope manufacturing societies, sugar refineries, dairy farming and live stock societies is recommended.

(iii) After the jute crop is ready the cultivator may devote his time in manufacturing jute ropes, etc. Aman paddy growers would do better if they might work in rice milling industries of their own. Dal-making from various kinds of rabi crops, such as mung, chola, motor, kalai, etc., with the help of mills will fetch better prices to the producers.

(iv) Government should at first finance the industries. But the enterprises should be on share basis, and the producing cultivator who will be a labourer in these industries will have to buy compulsory shares and by and by they themselves will be able to finance these enterprises.

(v) Government directly, through Circle Inspector of Co-operative Societies.

Question 6B.—(i) There are hardly any people who are entirely day labourers, fishermen or small traders. Almost everyone in these parts has agricultural holdings of his own, so they are entitled to borrow from the existing agricultural co-operative societies.

The Krishnabati Co-operative Society is the biggest co-operative credit society (rural unlimited) having a capital of about Rs. 30,000 and the number of members being over 250. This society has issued loans for the following purposes:—

	Per cent.
House repair	10
Repayment of old loans	20
Daughters' marriage	10
Agricultural	40
Fisherman's business	2½
Shoe-making business	2½
Grocers' business	15

(ii) Purposes have been explained in question 6B (i). Rate of interest varies from 10½ to 15½ per cent. Private money-lenders charge higher rates varying from 12 to 37½ per cent.

(iii) The co-operative banks and indigenous bankers cover the whole field in this respect.

Long-term loans at lower rates of interest might help them to liquidate their heavier and older debts. Of course this cannot be done unless Government comes forward with loans.

(iv) On the increase.

Question 7.—(i) Nil.

(ii) No difficulty is experienced.

(iii) The co-operative movement is still in its infancy in this district. The Hooghly Central Co-operative Bank, Ltd., has made rapid progress lately, but its resources are too limited. The central bank is afraid of establishing new societies. Two new central banks are going to be started shortly at Serampore and Arambag. At present no estimate can be ventured.

(iv) None.

(vi) Every possible financial concession should be granted to co-operative societies.

Reduction of fees on money remitted through post offices would be very welcome. Abolition of heavy audit fees is urged.

Question 7A.—(i) Yes.

(ii) Yes.

(iii) Interlending of funds between unlimited liability co-operative societies within the same area will be very welcome.

(iv) At present they do not help each other in any way.

(v) At the present state of the development of a central co-operative bank, no such transaction is recommended.

Question 7B.—(i) Prevailing rates have greatly been reduced. The usurious rates are practised in small percentage of cases. Ten years ago no loan for any purposes could be secured at a lower rate of interest than 37½ per cent. But at present 18 to 24 per cent. is the common rate with the indigenous money-lenders.

(ii) Ten years ago all money-lending was done by local money-lenders and Kabulis. Within this short period 75 per cent. of these businesses have been transferred to co-operative societies.

I can give names of at least four gentlemen of this locality ten years back, who used to do money-lending business on very large scales. Their capital amounted to Rs. 50,000 or more at one time, at present they are able to invest not more than Rs. 20,000 in money-lending business.

(iii) Wherever a zamindar is a money-lender a co-operative society is never a success there. Illiteracy stands greatly in the way of its expansion.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

There are no loan offices and joint stock banks in this part of the district.

Part II.—Indigenous Banking.

Indigenous bankers are not found in this part of the country, but local mahajans and money-lenders who invest their own money into money-lending businesses, are found.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) (1) Voluntary deposits from persons.

(2) Borrowing from central institutions.

(ii) Rupees 25,000 for the co-operative societies in this union.

(iii) Post office savings bank, co-operative societies.

(iv) Yes.

(v) No.

(vi) The habit of investment in silver and gold is gradually diminishing.

Question 2.—(i) Yes, but to increase the popularity of post office cash certificates, the issue price may be further lowered, say, to Rs. 75 for a cash certificate of the face value of Rs. 100.

(ii) I think it does.

No.

(iii) Yes.

(iv) Middle class literate people.

(v) Nothing further can be done, until such time as mass education is not resorted to.

(vi) The allegation is baseless in my opinion.

Question 3.—(i) Existing facilities are sufficient, but I understand the Imperial Bank of India charges too much commission from their constituents.

Yes.

Payment of the amount required to purchase Government securities by instalments may be allowed.

(ii) Only the banks and bankers in principal towns help their constituents in the purchase and sale of securities other than Government securities. But they charge exorbitant commissions. Co-operative societies do not afford any facilities.

(iii) They are generally trustworthy and are of temperate habits. They deposit their money with post offices and co-operative societies. They use it in their business.

(iv) Sometimes they do business of pawning jewelleryes at 12 per cent. As generally the agriculturists are illiterate, they spend the surplus money, if any, in marriage expenses, in buying new bullocks or sometimes in purchasing new lands.

Question 4.—(i) With the educated people in towns, as with the commercial people the cheque habit is on the increase.

(ii) Ditto.

(iii) Educated people in the towns.

Salary earners may be paid their salaries by a number of small cheques, say, Rs. 25 each.

(iv) Vernacular scripts may be introduced in cheques in rural areas if necessary.

Question 5.—(i) Yes.

(ii) Poverty and want of mass education.

(iii) By allowing the people to pay by instalments as they may acquire the habit of purchasing Government securities.

(iv) As no branch has been opened in this district. I am unable to answer this question.

108.

Mr. P. C. Mukherjee, Secretary, Barasat Central Co-operative Bank, Ltd., Barasat (24-Parganas).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) From co-operative societies, if they are members; otherwise from mahajans.

(b) From co-operative societies on long term loans and from mahajans ordinarily by mortgaging their properties.

(c) Same as (a).

(ii) General rate is 37½ per cent. on simple bonds and hatchitas. On mortgages it is 30 per cent.—the rate varies according to the circumstances of the borrower—period 1 to 3 years. The nature of security is standing crops, ornaments and lands. Loans 1 (a) and (c) are secured by hypothecation of standing crops and for (b) lands are pledged on mortgages.

(iii) In Barasat Subdivision the Government, the Imperial Bank of India, the joint-stock banks, indigenous banks and bankers do not finance the agriculturists. Co-operative banks, professional money-lenders, merchants and dealers advance money to the agriculturists.

(iv) Ten lacs for this subdivision only in the minimum.

(v) Present system is primarily defective on the following grounds:—

(i) Lack of credit facilities of the agriculturists.

(ii) Want of education.

(iii) Hence a defective supply of persons who can manage co-operative or other similar institutions for betterment of their conditions.

The remedies suggested are—

(1) Extension of co-operative institutions.

(2) Government help for the purpose of financing the agriculturists is absolutely needed.

(3) Extension of education amongst the masses is required.

(vi) There is no co-ordination amongst the different classes of credit agencies, including Government.

Yes, there is much scope, provided the remedies above indicated are adopted.

Question 2.—(i) They market individually to dealers. There is no system of co-operative or joint-marketing at the present moment. The mahajans sometimes purchase the crops. Normally he is unable to hold up his crops on account of financial pressure brought on him by his creditors and on account of lack of reserve capital.

(ii) Effort in the direction of co-operative marketing is likely to be successful provided they be sufficiently educated.

(iii) There is no co-operative sale society for marketing agricultural produce.

(iv) There are no credit facilities actually existing at present. The credit facilities may be given by establishing sale societies and organising them by affiliation with wholesale societies in Calcutta.

(v) The central bank is not in a position to deal with the question of foreign trade as there is no direct export from this subdivision.

(vi) (a) The dealers and merchants purchase the raw materials from the villagers and convey them to Calcutta ordinarily which is the great centre of export trade in this part of the country.

(b) Other dealers and merchants similarly conduct the import trade from Calcutta.

(vi-a) The financing is ordinarily done in the primitive fashion of loose cash and persons carrying the same have got to undergo risks as well as loss of interest on account of uncertainty of demand. We suggest that a sort of cash credit system be introduced between the apex bank in the province and the various co-operative credit institutions so as to enable the dealer to avoid the risks above mentioned. A similar system of inter-divisional or inter-provincial credit between the various central banks through the medium of the provincial bank may help in the easy flow of money towards these areas which require them most and this will prove beneficent both for financing import and export trade.

(vi-b) It is indeed a fact that the grower of produce does not get proper return for the same on account of the speculators and intermediate dealers and other persons whose names are mentioned.

The prices fetched at the mills or the big *arats* are often twice as much as that received by the cultivator. The reason is that the merchants can command almost monopoly with regard to certain commodities which are principally articles of export, e.g., jute and as they can regulate the demand so they can dictate the price. The various intermediate dealers also swallow up the major portion of the money which ought properly to come to the actual producers.

(vii) So far as paddy is concerned, the position of monopoly occupied by the dealers is not so clearly definable although the producers' lack of credit and indebtedness and the incapacity to hold necessarily put them at the mercy of the purchaser. Regarding jute the position is otherwise, here the purchaser occupies more or less a position of monopoly and they can by a combination amongst themselves dictate terms to the poor indigent producers.

(viii) The machinery for internal remittance is mostly cash or the medium of post office. In the case of co-operative institution treasury remittance in certain cases are becoming popular. Hundis are seldom resorted to in this part.

(ix) An easier and cheap mode of remittance and a more free circulation of money is essential for the development of the country. Increase of internal banking, development of co-operative institutions, education of the personnel of the institutions so that they can manage these banking operations, proper supervision by trained Government or specially trained officers acquainted with practical banking are absolutely necessary for the purpose, but all these will be thrown away unless education, at least primary education, be disseminated through the mass. Primary education must be made compulsory as well as free if any lasting improvement can be expected.

(x) In this part of the country as already stated negotiable instruments are not ordinarily resorted to for the purpose of internal trade although grasping lenders do often utilise the internal trade to enhance their capital by obtaining a large amount of interest which is not commerce in the strictest sense.

(xi) Reduction of duty on bills may lead to a freer flow of money through their medium.

(xii) There is no hundi system in our part of the country in this subdivision.

(xiii) Introduction of standardised forms will undoubtedly facilitate the use of hundis and a larger circulation can be reasonably expected.

(xiv) As already stated we have practically no hundis in this locality. Amendment of the Negotiable Instruments Act should be made for the purpose of reducing their costs, standardising them and affording their greater sanctity by substituting special rules for the protection of the person in whose favour they are drawn. This is a sort of bounty which may be withdrawn in future when they have become sufficiently popular.

(xv) They are seldom discounted at the local centre and are mostly held by middlemen, merchants, etc.

(xvi) There is no system of rediscounting hundis in this locality. A branch of a large joint-stock bank may profitably be opened and extend its operation in this part.

(xvii) Except in big trade centres this system is not in vogue. As already stated transactions are all conducted in cash.

(xix) There are no warehouses in this part of the country. This system may be experimented in large trade centres.

(xx) If it is to be successful Government assistance at the start will be indispensable.

Question 3.—(i) Rupees 300 per acre for paddy lands.

Rupees 150 per acre for jute lands.

Rupees 300 per acre for cereals.

(ii) The character of land affects the value. Paddy lands are generally low lands and they seldom fail. Jute lands are comparatively high lands.

The value of land sold for non-payment of Government revenue is higher than that fetched in the sale under ordinary money decrees because the rights are higher.

The highest price is reached in private sales because the purchaser is ordinarily a local man and he is conversant with the nature of the tenancy and moreover the vendor can negotiate with the purchaser whereas in the former cases the sale being by nature involuntary fetches comparatively low price.

Question 4.—(i) There is no legal impediment to mortgage of land and agricultural holdings.

(ii) The amended Bengal Tenancy Act which has made occupancy holdings transferable has increased the value of land to a certain extent but owing to the heavy landlord's fee the increase is not as high as may be expected.

(iii) Before the amendment, as they were generally non-transferable, long-term credit was not feasible normally because one had got to look to the crops for realisation, now these smaller holdings have got certain attraction to agriculturists and long-term credit is being introduced.

(iv) None except co-operative banks.

(v) Vide above.

(vi) By increasing the working of the central co-operative bank which if fully developed may supply most of the needs. A department may profitably be opened under each central bank for advancing money on mortgages of land on co-operative land mortgage principles as is being attempted to be developed by the Bengal Co-operative Organisation Society, Ltd.

(vii) (b) By introduction of the system of arbitration as is in vogue in co-operative institutions.

(viii) It should be mostly derived from deposits.

Next comes the funds from central institutions. Debentures are not likely to be popular at the start.

(ix) Government guarantee is indispensable at the start for a certain number of years for both principal and interest.

(x) The State may be given the first charge on the bank's assets as its prerogative and also nominate at least half the Board of Directors for the period during which the guarantee lasts.

(xi) The terms will vary according to the locality. If there be Government guarantee money will be available at a lower rate and deposits will be attracted and debentures easily subscribed. There should be at least a margin of 3 per cent. between the rate at which the money will be received and the rate at which it will be lent out.

(xii) We think it can profitably be included in the trustee securities.

Question 5.—(i) We are not in a position to form an estimate for a village or a district—we can only gauge the indebtedness of members of societies in a particular village.

(ii) By preparing a debt and property list of all villagers as is done with regard to members of co-operative societies.

(iii) Money advanced on mortgage is about 20 per cent. of the amount of loan advanced on personal security.

(iv) The purposes set out are practically exhaustive. There are no other purposes ordinarily.

(v) So far as members of co-operative societies are concerned the debt is primarily due to the society, for other individuals the loan is due to professional money-lenders *only*.

(vi) Agricultural indebtedness is increasing generally except for members of co-operative societies.

(vii) We are not in a position to answer. Practically these Acts have no operation.

(ix) Kabulis are found in almost every village. They usually lend out money on hand-notes or hat-chitas on interest of 1 anna per rupee per diem. They generally do not go to the Court for the realisation of their dues but they realise it by their physical force.

(x) No such concrete example is at present known to us.

(xi) The Usurious Loans Act is often availed of. The maximum rate of interest allowed by the same is too high which should be reduced. It should be also applied to mortgage deeds as well.

(xii) No. This should be enforced.

(xiii) Instances are known but they are comparatively lower.

(xiv) By popularising the co-operative credit societies and organising the same in larger numbers, a summary method of realisation of dues of the societies and central bank by certificate method may be introduced.

(xv) The prevailing rate of interest on paddy loan is 50 per cent.

(xvi) Generally $37\frac{1}{2}$ per cent. simple interest. Generally the debt is realised when the produce is collected and in case of non-payment courts are frequently resorted to.

(xvii) Not much in this locality.

(xviii) Not appreciably so, though undoubtedly it hampers them a good deal and a lowering of the rate of interest is immediately called for.

Question 6.—(i) We have got rice mills, co-operative milk industries and hand-spinning and shoe industry in this locality.

(ii) By introducing co-operative purchase and supply of raw materials and co-operative marketing. The introduction of comparatively easy credit may help to hold out for certain and thus be not at the sweet mercy of the purchaser.

(iii) Hand-spinning and cottage industries may be usefully expanded amongst agriculturists provided raw materials are forthcoming on a credit system.

(iv) Through the medium of co-operative institutions.

(v) See above.

Question 6A.—(i) There are no such fixed industries in this locality except the small industries mentioned above which are mostly carried with private capital except 2 or 3 co-operative societies or unions.

(ii) See 6 (iv) above which may be supplemented with Government aid or bounty for a period.

Question 6B.—(i) There are practically no facilities except a few co-operative urban societies in the headquarter. The money-lenders generally exploit them elsewhere.

(ii) They generally borrow for purposes (a) (b) (c) (d) (e) of question 5, clause (iv).

The rate of interest on unsecured debt is generally 25 per cent. and secured debt 15 to 18 per cent.

(iii) Neither the Government nor joint-stock banks nor indigenous banks do help them, only in the town the co-operative urban banks have served to reduce their rate of interest to 12 per cent. or thereabouts.

(iv) On the increase.

Question 7.—(i) Ordinary co-operative banks, viz., central banks or primary societies, have no relations with the other banks of the country. They derive their finance from the apex bank, viz., the Bengal Provincial Co-operative Bank, Ltd. The Bengal Provincial Co-operative Bank, Ltd., has banking dealings with the Imperial Bank of India and other big joint-stock banks in Calcutta.

(ii) Difficulties normally lie not in the shortage of finance but in the want of education of the members of the societies, their lack of reserve staying power and their absolute dependence on the success and failure of crops.

(iii) So far as the whole district or the entire province is concerned, we are not in a position to give any estimate.

(iv) No.

(v) The question does not arise in view of the above answer.

(vi) If special financial concessions as stated are granted that will be a stimulus to the entire movement and are likely to be attended with beneficial results—as a matter of fact it is the spread of the co-operative movement and the proper education of the people that appear to be the true solution of the various economic difficulties of the rural population and all sorts of concessions would be welcome.

Question 7A.—(i) We do not think so. The present system of joint-liability has safeguarded the interest of the central bank more fully and is the cause of their popularity and has attracted depositors. The advances to individuals should be made by the societies rural or urban.

(ii) No.

(iii) No—at least at the present stage—as the movement will lose its solidarity—only the apex bank should be allowed to deal freely with the joint-stock banks and loan office.

(iv) At present they are not interrelated nor do they render any mutual assistance.

(v) Through the medium of provincial bank as clearing house the central banks in larger trade centres may easily undertake such banking business as remittances of money from place to place—that will be cheaper and will avoid actual displacement of cash.

Question 7B.—(i) In rural areas it has perceptibly reduced the prevailing rate of interest both on secured and unsecured loans. The mahajans in order to keep up their influence had to reduce the rate both on secured and unsecured debts.

(ii) To some extent the societies have replaced professional money-lenders—some of the latter either have shifted or are lying low waiting for adverse season when they may once again attempt to regain their lost influence.

(iii) This factor, viz., the existence of professional money-lender, has an adverse effect on societies, specially those which have been newly started in areas once dominated by a powerful and rich money-lender. The main factors which operate against the rapid spread of co-operative banks in rural areas are—

- (i) Want of proper organisation which is generally attributed to lack of education amongst the people at large.
- (ii) Paucity of capable self-sacrificing individuals who can conduct the affairs of society.
- (iii) Want of properly trained and adequately paid supervisor and organisers.
- (iv) Want of sufficient number of sympathetic audit staff. As a matter of fact the services of the supervisors are often requisitioned for audit work which is an anomaly—a man acting as an auditor on his own work!!
- (v) The higher rate of interest. This can be rectified if the Government advances money to the provincial bank at specially low rates. In that case the provincial bank can finance at a lower rate and there will be a general lowering of rate.

Part IA—Loan Offices and Joint-Stock Banks in the Mufassal.

There are no loan offices or joint-stock banks in this part of the country.

Part II.—Indigenous Banking.

There are no such institutions in this part of the country.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(i) The Imperial Bank, the large joint-stock banks, including the exchange banks, the smaller merchants (some of whom do banking amongst a limited constituency), the loan offices, the professional money-lenders or sharafs and lastly the co-operative banks—and the Post Office Savings Banks.

(ii) No, we are not in a position to form an estimate.

(iii) In the credit institutions abovementioned, money is also invested in Government and other securities and in the post office. Private money-lending prevails on a fairly large scale. Investment in real property, specially in permanently-settled areas, is popular.

(iv) No. Our rural population are not yet properly trained and they seldom invest in anything other than real property or private money-lending on the security of real property; they are even reluctant to deposit in their own societies and thus our societies in general have failed to attract local deposits in most cases. In most villages we have no rural banks—these should be organised, if feasible.

(v) By spread of education, growth of co-operative institutions and confidence in these rural banks, the existing facilities may be improved. The insurance scheme now in the hands of the Bengal Co-operative Organisation Society, if successful, will ensure the solvency of the various members of rural societies and if carried into effect may attract deposits more than any other feasible scheme.

In time there should be a co-operative bank in every village unit and insurance should be made compulsory, if possible. If the banks be at their door and they give you a handsome return as they are sure to do without any apprehension of loss that will attract local deposits more than any other system. The Barasat Co-operative Credit Society, Ltd., although a limited liability society, attracts deposits throughout the area and is getting popular day by day. It is the solvency of the bank coupled with the firmness of the administration that attracts depositors.

(vi) The habit of investment in silver and gold of which the Indian people have often been accused and which figured so pronouncedly in the report of the Royal Commission of Indian Currency and Finance is disappearing. With the continual impoverishment of the people the hoarded wealth is becoming less and less and in most cases have disappeared. Moreover the policy of Government in announcing that the value of gold would be artificially lowered sometime ago is responsible for much gold coming out of the families and being converted into bullion. The habits are also gradually changing and people are growing more businesslike, seeking markets for their capital and returns for the same. Hence this habit is diminishing.

Question 2.—(i) It is not so now. The reduction in the rate of interest is responsible for this. If the old rate be restored it would probably attract more capital.

(ii) Yes. The old rate should be restored and the certificates should be more easily convertible into cash. This would popularise the certificates.

(iii) No. The postal hours synchronise with the normal work of the poorer people who generally resort to them. The public should be given more facilities. The superior limit of investment should be increased. If cheque system, as we find in the Lloyds Bank, Ltd., be introduced that will immensely popularise the same and avoid much displacement of cash in a locality.

(iv) Either the poorer class or the class who are the least enterprising.

(v) If the cheque system as advocated above be introduced that will at once attract local deposits. Public bodies will be able to deal with it and it will train the people to banking system even in the remotest villages and will be a prelude to the creation of banking concerns throughout the province.

(vi) We are not in a position to answer as there are no other banking institutions in this part.

Question 3.—(i) We are not in a position to answer.

(ii) Vide above.

(iii) The cultivators as a class suffer from chronic indebtedness. They repay their loans and seldom have any loose cash to spare. The poorer middle class generally invest their small surplus in the Government Savings Banks or Government securities. Some of this money is finding its way in deposits in the co-operative institutions. The richer middle class invest in securities or real property or money-lending.

(iv) The larger farmers who have loose cash to spare generally invest the same in purchasing lands or implements of husbandry. Some of them advance money to their less fortunate brethren and in these

cases very often it results in the land itself passing into the hands of the former in the long run and the latter being converted into day-labourers. Once the nucleus is made it leads to increased accumulation of capital and with the high rate of prevailing interest, the once fortunate farmer, now a money-lender, becomes the landlord mahajan of the village.

Question 4.—(i) The cheque habit is popular in Calcutta. In the mufassal it is practically non-existent as there are no clearing houses and no such system.

(ii) The abolition of stamp duty has led to larger cheque circulation in Calcutta but it has practically no effect in the mufassal as the cost and risk of coming down to Calcutta for cashing it is prohibitive.

(iii) The educated middle class living in towns. The payment in cheque as suggested may popularise them but there is the other factor to be reckoned, viz., prompt payment thereof. The cheques on Government Treasury are becoming unpopular every day on account of the delay in payment. There should be a maximum time fixed, not exceeding 5 to 10 minutes, within which all cheques must be paid. Unless this be done no effort whatsoever will popularise these.

(iv) Vernacular scripts may be used, but unless quick payment is ensured nothing will help to popularise it.

Question 5.—(i) Yes.

(ii) The reasons have been given already—mainly lack of education, conservatism, want of proper facilities and the delay in payment. The banking system is divorced from Government and people are apprehensive that even if a most solvent and sound concern falls on evil times on account of a sudden rush or otherwise, the Imperial Bank of India or the Government may not come to the rescue.

(iii) As already stated, we suggest the introduction of cheque system in the Savings Bank which will serve to educate the people at large.

(iv) We are not in a position to answer as there are no branches in this part of the country.

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Mr. Ambika Charan Roy, Secretary, Berhampore Central Co-operative Bank, Berhampore.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) The agriculturist in my district looks to the village money-lender, commonly called mahajan, including in many cases his landlord, for financing for all purposes; and in most cases obtains finance from him.

The members of rural co-operative societies obtain finance, not only for cultivation but also for permanent improvements and other special needs, from their societies. They get loans as a rule, the exception being in the case of members whose defaults in payment of kists are glaringly large.

(ii) *Rate of interest.*—The rural co-operative societies realise interest at 12½ per cent., per annum on short-term loans and 15 per cent. on long-term loans. The village mahajans realise interest ordinarily at rates

varying from 24 to 37½ per cent. There are, however, cases in which the village mahajan realises interest at a rate enlarged to 2 annas in the rupee per month, as does the Kabuli.

Period of loans.—In the matter of the loans advanced by mahajans the period is nominally fixed for the month of Chaitra. But default is generally the rule, and the indebtedness of the agriculturist is notoriously chronic. The rural co-operative societies spread out the "long-term loans" generally for a period varying from 3 to 4 years and in exceptional cases enlarge it even to 7 or 8 years. The "short-term loan" is made payable within a year from the date of advance.

Nature of security.—Agricultural holdings form the security. Standing crops are not generally offered and accepted. In the case of usufructuary mortgage the crops go to the creditor.

The percentage of secured and unsecured loans may, in my district, be estimated at 50 per cent. each kind.

(iii) The part played in agricultural finance by—

- (a) *Government.*—It is only for the relief of distress (i.e. at famine time) that the Agriculturists' Loans Act (Act XII of 1884) is brought into play and the Government advances agricultural loans. These loans are generally made repayable within a year, and realisation before the expiry of the kist is made so peremptory that cases have been reported in which the borrowers had to take recourse to the village money-lenders, who, taking advantage of their helplessness, made advances to them at an interest of 150 per cent. per annum (i.e. at 2 annas in the rupee per month). The Land Improvement Loans Act is practically a dead letter in this district.
- (b) *The Imperial Bank of India, the joint-stock bank, and the indigenous banks and bankers* do not play any part in the agricultural finance in this district.
- (d) *The co-operative banks* unstintedly lend money to their members for agricultural purposes, which, however, are mostly confined to the growing and raising of crops.
- (e) *The professional money-lenders* also advance money for cultivation and raising of crops.
- (f) *The merchants and dealers* also do so, but instead of contracting for interest make forward contract with the agriculturist for sale to them of all the produce either at or on condition of getting a commission on sales at market time.
- (h) *Other organisations.*—The Chilean Nitrate Company and the Ammonium Sulphate Company sell their artificial manures to the agriculturists on receipt of price mostly in cash.

(iv) One crore of rupee is a wide guess that may be made when one is called upon to name the total amount of capital required for agricultural purposes in this district.

The defects of the present system of financing are—

- (a) neither the borrower nor the lender thinks of making improvements either of land or of agriculture;
- (b) the high rate of interest realised by the mahajans;
- (c) the unscrupulous mahajan realising more than his dues.

Reasons: Poverty and illiteracy of the villagers.

Remedies suggested: (i) Increasing literacy amongst the villagers; (ii) starting of co-operative societies in very large numbers.

(v) There is hardly any co-ordination among the various credit agencies. There is scope for the possibility of such co-ordination.

Question 2.—(i) The present methods of marketing the principal crops in my district by the raiyat are—

(a) sale through dalals (brokers) who frequent villages specially at the time of raising crops and who bring the crops to the aratdar (the middleman);

(b) direct sale by the raiyat to such middleman or aratdar;

(c) (in rare cases) direct sale by the agriculturist at the market.

Yes; the agriculturist is generally unable to hold up his crop for a better price.

Poverty is the main and practically the only reason.

(ii) The formation of pools and co-operative effort generally in marketing the produce is possible if honest and literate workers are available even in small numbers in each village or for a group of villages.

(iii) Yes; there is a co-operative store dealing in articles of everyday use at Berhampore and a Co-operative Sale Society at Beldanga now dealing in jute.

The Berhampore Co-operative Store is a limited liability society of 10 years' standing linked to the Berhampore Central Co-operative Bank, which occasionally finances it. It has sufficient funds, but they do not get the turn-overs (which can only make capital useful) owing to the lack of co-operation on the part of its members.

The Beldanga Sale and Supply Society is also a limited liability society linked to the Bengal Wholesale Society, Calcutta, which finances it. It has only been started this year.

(iv) Hardly any credit facility actually exists in my district for financing products during marketing.

Facility required.—Arrangement for the stocking of goods at all important centres and paying a certain percentage of the price as against the goods that may be stocked for sale at a better or the highest market is a desideratum.

(v) The facility suggested above relates both to internal and foreign trade.

(vi) In financing both export and import trade—

(a) the co-operative banks to a small degree help their members, (other banks do no help to the villagers);

(b) the banker lends his help by drawing hundis;

(c) the merchants and dealers play their part in the export trade (i) by advancing money to dalals (brokers) who make purchases in the interior of the district and bring goods to them for consignment to the various centres for export; (ii) by advancing money to the cultivators.

(vi) (a) In such financing the co-operative societies generally advance money on short-term loans carrying interest at 12½ per cent. The

mahajan (village money-lender) ordinarily advances money at rates varying from 24 to 37½ per cent., per annum. The merchants and dealers finance the agriculturist with a forward contract for sale to him of all the produce either at a price then fixed or on condition of getting a commission on sales at market time.

The present requirement is met by this sort of financing. But if the elimination of the middlemen or the reduction of them to a minimum be the desideratum then the spread of co-operative endeavour among the rural people ought to be earnestly encouraged and the co-operative institutions ought to be adequately financed.

(b) I quite believe that the grower of the produce in India does not get the full value for his produce. It is his produce that forms the merchandise, which pampers the middleman, while there is no end of his penury. My idea is that so long as large sales of agricultural produce and exclusive sale of jute (and also tea) will continue to be in the hands of the people who do the sales and dictate the price (as is the fact now), it would be hard for the agriculturist to prosper. I further believe that unless and until the agriculturist is placed in a position to dictate the price of his produce there will be no end of the proverbial want that vexes the tiller of the soil in India.

(vii) Yes: I have given my views in the above answer. Lack of banking facilities to the agriculturist is not principally due to the borrower's lack of credit.

(viii) The Post Office gives the public the facility of remittance, both internal as well as external. It is only in certain parts of this district (mostly where the Marwaris ply their trade briskly) that hundis facilitate remittance.

As I have not much personal experience in hundi transactions I do not answer questions (ix) to (xx).

Question 3.—(i) In my district the price of aman paddy lands varies from Rs. 300 to Rs. 500 per acre and that of the aus paddy, jute and choitali lands from Rs. 150 to Rs. 300 per acre.

(ii) The presence or absence of cash money in the hands of the cultivator, or, in other words, plentiness or failure of crops, is the main factor in determining the value of the lands on transfer.

(a) *Revenue sales* seldom confer on the purchaser the right to get khas possession of lands. So the price fetched at such sales are only certain multiples of the rent earned from the lands.

(b) *At Civil court sales* agricultural lands do not fetch proper prices as the person who tills the land, and who as such can afford to pay the full value therefor, hardly has the occasion to present himself as a bidder at such sales.

(c) *Sales by private negotiations* very often fetch the maximum value for agricultural lands.

Question 4.—(i) With the passing of the amendments to the Bengal Tenancy Act in 1929 all legal impediments to the mortgage of agricultural holdings have been removed in my province.

(ii) The amended Bengal Tenancy Act having made agricultural holdings transferable, it may on principle be said to have increased the credit of the agriculturist. But so far as my district is concerned, even when agricultural holdings were not transferable either by custom

or in law the village mahajans hardly evinced any hesitancy in making advances to the agriculturist. His credit, therefore, in effect continues as before.

The fact, however, that the amended Bengal Tenancy Act has made the deposit of landlord's transfer fees a condition precedent to the sale, has the effect of reducing the price of lands on sale. How this fact will tell on the credit of the agriculturist has yet to be seen.

(iii) There is hardly any long-term credit institution in this district, and cases are now rare in which an agriculturist takes a long-term loan with a view to effect any permanent improvement in his holding in any substantial way.

The question as to the smallness or fragmentation of agricultural holdings affecting the credit of the agriculturist as to long-term loans has not as yet arisen.

(iv) There is no land mortgage or agricultural bank in my district.

NOTE.—The question of establishing a land mortgage bank here has not arisen. The Central Co-operative Bank with which I am connected is fortunately in a position to finance effectively in suitable cases of long-term credit. Experiments, however, in the line of advancing long-term loans for 8 or 9 years have not as yet been successful. Such loans were taken mostly for unproductive purposes and even when taken for agricultural purposes the loans being followed by successive years of crop failure have resulted in large overdues.

I therefore refrain from answering questions (v) to (xiii).

Question 5.—(i) I do not consider the estimates of the indebtedness of the villages that I have to be either satisfactory or workable.

(ii) The Central Co-operative Banks can with reasonable accuracy supply—

- (a) the total number of members of the rural societies affiliated to them;
- (b) the total amount of the indebtedness of such members to their society;
- (c) the outside loans of such members.

From these figures the indebtedness of a certain number of village people may for practical purpose be ascertained. The indebtedness of the rest may for obtaining a workable figure be calculated in the same proportion.

(iii) (a) In the making of such an estimate the co-operative societies can furnish figures of the "secured" and "unsecured" debts of their members. For practical purposes these may form the basis for working out in the same proportion the amount of secured and unsecured debts of the rest of the agricultural population of the village.

(b) In this district the agricultural holdings form for practical purposes the sole security. The village house of the agriculturist is a structure of hardly any saleable value. Ornaments of value they seldom have and seldom can they store crops and produce for offering them as security against loans. Ploughs and cattle being implements

of husbandry and being as such exempted by statute from attachment in execution of decrees are not accepted as security.

(iv) The existing debts were incurred mainly for the following purposes:—(a) marriage and other social occasion, (b) litigation, (c) famine and distress generally, (d) payment of rent, (e) purchase of cattle and seeds, and in certain cases for (f) the repayment of earlier debts, (g) the growth of debts by compound interest, and seldom for, (h) purchase of manures, (i) improved agricultural implements, (j) sinking wells, etc.

(v) This debt is largely due to professional money-lenders and to some extent to co-operative societies.

(vi) My impression is that agricultural indebtedness (in the sense of the indebtedness of the agriculturist) is on the increase.

(vii) The needs of the agriculturist in my part of the country have hardly been met by either the Land Improvements Loans Act or the Agriculturists' Loans Act. As I have already had occasion to say, the former is a dead letter and the aid of the latter has been invoked only at times of great "distress" and hardly, if ever, "for the purchase of seed or cattle or any other purpose not specified in the Land Improvement Loans Act, but connected with agricultural subjects" though the statute provides for the latter purposes. The operation of these statutes in normal times may, therefore, be said to be unknown in this district.

(viii) Sympathy with the villagers and earnestness on the part of the executive officers of the district in bettering the condition of the rural population may make the statutes workable and their operation beneficial to the people for whom they are intended.

(ix) Yes; the Kabulis are found in certain parts of this district, the headquarters town not being excepted. They get printed pro-notes executed by their debtors either by advancing money or on account of the price of goods supplied, promising to pay the amount on demand with interest at 2 annas per rupee per month (i.e., at 150 per cent. per annum) at any of the many places named in the pro-note. They are not slow in making takids and the way of their realising money is proverbial. Cases of mistaken identity in respect of borrowers are sometimes brought to light. In the matter of law suits ex-parte decrees are sometimes brought by Kabulis against Bengal villagers without their knowledge at a very distant place (say at Jullundar) where among other places money is made payable in the pro-notes and money is realised on execution of the decree transmitted for execution here in Bengal from parties who plead innocence, but cannot re-open the litigation hundreds of miles away from Bengal.

(x) I have known of a money-debt of Rs. 50 sued upon after a period of about 10 years for Rs. 1,100 after giving remission of Rs. 300 or so, the debtor having made repayment of about Rs. 100 in the meantime which was appropriated towards interest.

(xi) The Usurious Loans Act is hardly seriously availed of in my district. In law suits defence is not unoften taken in conformity with the provisions of the statute. But not unoften are such suits decreed on compromise for the entire amount of the claim, which is made payable by instalments. The honest debtors find it to be more to their benefit to be permitted to pay their dues by kists than to get remission

of interest on contest and to be made liable for the entire decretal amount forthwith. The courts, of course, in certain cases direct a reduction of the claim for interest ostensibly acting under the provisions of the Usurious Loans Act.

(xii) I know of no standard rate of interest followed by the courts here. But the courts are slow to decree interest at rates exceeding 24 per cent. in the case of unsecured debts and 18 per cent. in the case of secured debts.

(xiii) Defence is sometimes read in court stating that the bond in suit was executed for more money than was actually advanced. But I know of no case in which such defence was successfully fought out. So far as this district is concerned, the adoption of this tactics by the creditor is rather the exception than the rule.

(xiv) Under the present circumstances the starting of co-operative societies in large numbers, the introduction of short-term loans for agricultural purposes and unstinted advance for such loans with arrangements for strict realisation thereof seems to be a practical proposal.

(xv) The prevalent rate of interest on paddy loans is 50 per cent., but in cases where the advance is made in the first three months of the Bengalee year the rate is enhanced to 100 per cent. Compound interest in the case of defaults is not unoften realised.

(xvi) So long as agricultural holdings were non-transferable by custom there was hardly frequent occasion to lament on the decay of the peasantry in Bengal; but the right of transferability of agricultural holdings conferred on the tenants by the amended Bengal Tenancy Act necessarily carries with it the risk of passing of property on into the hands of the creditors and of reducing the status of the Bengal peasantry into that of mere day labourers.

(xvii) There have not as yet been glaring instances of lands passing from the hands of the agriculturists to those of the creditors. But it is apprehended that provisions like this will necessarily take away from the actual cultivators the incentive to better production.

Question 6.—(i) In my district there are the following small subsidiary industries supplemental to agriculture—

- (a) Rice-milling by dhenki—the old indigenous appliance.
- (b) Dairy farming in the shape of keeping bathans.
- (c) Gur-making in old style.
- (d) Garden produce—cultivation of cauliflowers specially.
- (e) Hand-spinning by charka.

(ii) (a) As regards rice-milling by dhenki the industrialist is hardly properly financed, and as such he cannot buy paddy at low market. His means of obtaining finance ought to be bettered.

(b) Dairy farming in its proper sense is a profitable and useful industry, though the same is practically unknown here. The establishment of a co-operative dairy farm may give incentive to this industry.

(c) Gur-making as an industry is an old institution and has prospects. The dissemination of the improved methods of gur-making through the Government Agricultural Department is calculated to place the industry on a better footing.

(d) *Garden produce*.—The cultivation of cauliflowers is making headway in the urban and suburban area of this district. As the mulberry cultivation is dying out in many parts of the district the ground so elaborately prepared for the same is vacated for beds of cauliflowers. This may be given a wider scope.

(e) Hand-spinning has been given an incentive to by what is commonly called the “swadeshi” movement. If yarns be had out of spare-time work the cost of providing for the clothing in the family will no doubt be reduced to a minimum. The part that the charka should now play in the economy of the household is of greater importance than its function as an industry. The dissemination of this idea and the easy availability (by free distribution or otherwise) of cotton seeds is calculated to the development of hand-spinning.

(iii) Enterprises that may keep the farmer usefully employed during his off-time may be—

(a) Hand-loom spinning.

(b) Biri-making. This may be of particular use in places where tobacco is grown.

(c) *Match manufacture*.—As a cottage industry match-making has an excellent place in the economic development of the country. But there should be either co-operative societies or middlemen to regulate the industry.

(iv) The best method of securing working capital for such enterprises is to start either joint-stock companies or co-operative societies for the purpose.

(v) Answered in the above.

Question 7.—(i) The Imperial Bank of India has got no branch in this district. The recent arrangement of permitting cash-credit transactions between the Central Co-operative Banks and the Imperial Bank is likely to be of much help to co-operative societies. The occasion has not yet arisen necessitating the introduction of such cash-credit transactions with the central bank with which I am connected.

There is only one joint-stock bank (a loan office) here. There has been no conflict of interest between that bank and the co-operative banks; for, while the area of operation of the joint-stock bank is practically confined to the sadar, there is no urban co-operative bank, and the area with which my bank is directly concerned is outside the sphere of work of the said joint-stock bank.

It is really the interests of the indigenous bankers that are affected by the existence and growth of the co-operative banks. My central bank does not encourage the idea that the rural societies should advance money to their members to pay off wholesale their old debts and thus “free” them from their mahajans. My bank finances the rural societies liberally for the better outturn of crops, so that with the increase of production and consequent increase of wealth the debtors may “free” themselves from their mahajans and at the same time pay off their debts to their societies according to kists. There are, however, certain areas in which the local mahajans are yet unfavourably disposed towards the co-operative societies inasmuch as they believe that the existence of these societies tells on their money-lending business.

(ii) In the matter of finance there is hardly any difficulty now so far as my bank is concerned. There has rather been a glut in deposits and they are in excess of the present demand.

(iii) With the expansion of loans consequent on the establishment of big co-operative societies, like milk societies, gur-making societies, silk societies or bell-metal societies, there may be demand for extra capital for financing co-operative movement in this district. I cannot at the present moment give a definite idea of the amount of such extra capital.

(iv) There is no competition between the co-operative banks here and the joint-stock bank as already answered in (i).

(v) The grant of financial concessions to co-operative societies in the following matters is earnestly looked for—

- (a) Exemption from income-tax of Government securities held by the co-operative societies including the central banks; and
- (b) exemption of fees (or at least reduction of the amount of fees) on money remitted through the post office.

Question 7A.—(i) Granting of loans to individual members is not considered desirable, speaking generally having regard to the banking aspect of the societies, loans may in fit cases be granted to depositors as against deposits in central banks with stipulation to pay interest half-yearly which may be set off against the amount of interest payable half-yearly by the bank on the deposit. Such an arrangement may attract deposits.

(ii) The present restrictions on investment of funds ensure to the good name of co-operative societies, and if any relaxation is to be made it must be in cases of investments equally substantial and in no way speculative.

(iii) Current account between co-operative banks and joint-stock banks (including loan offices) up to a certain amount ought to be permitted.

(iv) The interest of co-operative banks is not in essence antagonistic to that of the joint-stock banks. In the matter of interchange of money among various hands and in so far as banking work is concerned the two types of banks work *pari passu*.

(v) The central banks do undertake banking business and they may do the ordinary banking business regarding remittances of money without infringing the provisions of the Act.

Question 7B.—(i) The establishment of co-operative societies in rural area has to a certain extent lowered the prevailing rate of interest on loans to agriculturists in my district. It has at least standardized the rates and reduced them to some figure between 24 to 37½ per cent. on unsecured loans and between 18 to 24 per cent. on secured loans.

(ii) It may not be correct to say that any co-operative society within the area of operation of my bank has replaced the professional money-lender. It is a fact that many co-operative societies have “freed” (to use the word of common parlance) their members from the clutches of the mahajan.

(iii) At present there is no external influence working against the rapid spread of co-operative banks in rural areas. Ignorance and illiteracy work from within against the rapid spread of such institutions.

110.

Mr. Kashatranath Mitra, B. L., Secretary, Bagerhat Co-operative Weaving Union, Ltd., Bagerhat (Khulna).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) Private money-lenders. (b) His landlord or landlord's men. (c) Rural co-operative societies.

The above three are the only sources available to them and they approach one or other for all their necessities. They rely more on class (b), though in more recent years this class is giving place to private money-lenders of his own class in many areas. The extraordinary rise in the price of rice and paddy has brought them enough ready money available for investment.

(ii) For small and unsecured loans the rate of interest varies between 18 to 25 per cent. They are always short-term loans for one year or less. The rate has come down in recent years due to the accumulation of money in the hands of the agricultural money-lenders and partly to the activities of rural co-operative societies. For longer terms the rate of interest varies between 12 to 18 per cent. Land is really the only security accepted. In cases of usufructuary mortgages the rate of interest comes so high as 40 per cent. in some instances. Standing crops are not offered or accepted as security, but is usually considered as a possible means of realising money advanced by way of temporary accommodation.

The proportion between secured and unsecured loans is 1:2. Advances by landlords and by co-operative societies are almost always unsecured.

(iii) Government takes a very insignificant part except in times of general famine when small loans are advanced. The Imperial Bank does not take any direct part, nor do the joint-stock banks. Co-operative banks supply a small proportion of the capital required. These are increasing rapidly though the real extent of benefit is still very small. Indigenous banks and bankers are not known to exist here unless the landlords and men of his class are placed in this category. These play the most important part and advance money for temporary accommodation and also give long-term loans. They are more easily approachable by the raiyat, and the raiyat's credit is also known to them. So there is mutual advantage. Professional money-lenders also supply a considerable amount of capital. They sometimes advance money and realise a fixed quantity of paddy for interest and principal.

(v) (1) High rate of interest charged. (2) Insufficiency of capital due to shyness of investors. (3) Want of co-ordination among money-lenders of different places. (4) Want of joint-stock banks or their branches in rural areas.

Question 2.—(i) Purchasers, locally called "beparis," come to the producer from Calcutta and other important inland ports and make their purchases for cash down generally through local "dalals" or middlemen.

The raiyat cannot wait for a better price because he has no reserve to carry him through. He has to pay the rent, interest on loans, petty demands, etc.

(ii) This may be tried in selected centres where persons able to manage them may be available. An ordinary village of, say, 100 families possessing 1,500 bighas of land among them would require a capital of at least Rs. 7,000 for the start.

(iv) There are really no credit facilities. The raiyat is bound to dispose of his produce to the "bepari" at once as he is in want. Co-operative societies should possess their own boats and carry the paddy to the best market for meeting the immediate necessity of the members. Money should also be advanced against the security of the remaining stock to meet immediate demands.

(vi) Banks take no direct part in the internal trade in these parts of the country and do not finance it. The trade is almost wholly financed by private mahajans, who supply the capital and take a definite share of the profits. He is in effect a sleeping partner. In the simplest form an agreement is entered into by the working partner with his mahajan, a boat is usually hired by the former who may also furnish some capital, and the two form a typical exporting firm. The produce is purchased directly from the raiyat and carried to the most favourable market or to Calcutta where the big wholesalers and aratdars buy it outright for cash down. Some of these mufassal wholesalers may of course get loans from banks though not on the security of their stock but on the security of their general credit.

(vi) (a) to (vii) There is very little financial difficulty experienced in the trade. There is no doubt about the correctness of the view that the producer does not get even a decent value for his produce. The whole export trade of Calcutta is in the hands of a handful of big merchants who control the market. The entire body of traders from the raiyat to the aratdar should be organised to prevent and break the monopoly.

Question 3.—(i) Paddy lands from Rs. 150 to Rs. 800 per acre, and jute-growing lands from Rs. 300 to Rs. 600 per acre. Apart from the recent economic causes which have sent up the price of land everywhere, the value of paddy land is going higher every year. The tendency of the bhadralog classes to invest in such lands has also raised their values very greatly.

(ii) Government auction realises about 30 per cent. and court sales about 50 per cent. of the real value which can always be realised in private sales.

Question 4.—(i) No.

(ii) It is yet too early for forming any opinion. It has slightly improved their credit, by attracting investors, who formerly were shy of investing in land for being forced to live at the mercy of the landlords.

(iii) There will be no difficulty on that point as paddy lands even in small lots are sure to find ready buyers.

Question 5.—(i) Agricultural indebtedness is always difficult to determine. For Khulna the estimate will be roughly two crores of rupees. Estimate of two villages are given—(1) Village Chilla, in police-station Rampal, being Khulna Collectorate Tauzi Nos. 1008 and 1009, a village about 2,700 acres in area and inhabited by about 125 agricultural families, total indebtedness is near about Rs. 15,000. (2) Village Haldibunia, within the same police-station, pargana Hogla, area about 1,100 acres, population about 80 agricultural families, total indebtedness for this village is close upon Rs. 12,000.

(ii) (1) Enquiries at the landlord's sherista (provided the Income-tax Department does not get a clue). (2) Enquiries at the various registration offices. (3) Co-operative societies figures. (4) Enquiries through local agencies, e.g., village chaukidars.

(iii) (a) One-third of the total.

(b) The balance on the floating security of all assets including crops. Pledge of specific articles is rare.

(iv) It is not possible to find out the exact purpose of the loan. Want of education, reckless expenditure in time of plenty, and previous indebtedness are the causes of running into debts. Agricultural calamities, cattle-plague, etc., are also partly responsible for indebtedness.

(v) Greater portion is due to private mahajans and landholders.

(vi) The increase was rapid till very late, though there has been some steadiness in recent years.

(vii) and (viii) Nil.

(ix) Kabulis as money-lenders in these parts have become rather rare. They come as small traders, sell their merchandise on credit and realise the price with compound interest next year.

(x) Yes, any number.

(xiv) Except in years of famine, seeds are always stored by the agriculturist. The only effective remedy is to teach the class the benefit of thrift.

(xv) Any thing between 50 to 100 per cent.

(xvi) The most prevalent form in this and the Jessore districts is to lend paddy in July or August, and to realise one-half the quantity as interest in February. The raiyat, though fully aware of the ruinous state of his affairs, pays as much as he can at this rate of interest, as he knows that he will have to approach the mahajan again the next year.

(xvii) Yes; but not necessarily for the enforcement of old debts.

(xviii) Generally not, because very often he has still a connection with the land as a bargadar or as a labourer.

Question 6.—(i) It is not possible to give the number for the whole Province with any degree of accuracy. Almost every village has one or more of these subsidiary industries including over and above those mentioned, poultry-farming, fishing, etc.

(ii) According to local needs and circumstances, weaving, poultry-farming, dairying, silk-rearing, fish culture and cane-industry may be successfully taken up.

By providing better and cheaper transport facilities, supplying information regarding markets, and by pooling scattered resources.

(iii) According to local needs poultry-farming, weaving, dairying, silk-rearing, fish culture and cane-industry may be successfully taken up.

(iv) and (v) State help at first. A successful business will attract capital from outside afterwards. Government should set apart at least fifteen lakhs of rupees for five years. The money may be distributed through suitable agencies, e.g., the District Boards, and may be recovered by easy instalments.

Question 6A.—(i) By issue of shares to the public at first and by raising loans against fixed stock or on the personal security of the managing authorities. All infant industries thus suffer a great deal from want of capital and some die a premature death.

(ii) (a) Long-term loans at first free of interest and then at a rate of interest not exceeding 4 per cent. (b) Supply of machinery on the hire-purchase system on the guarantee of the Government. (c) Provision of experts, both technical and mechanical. (d) Opening up facilities for supply of raw materials directly from the producer.

Question 6B.—(i) Day-labourers, small traders, etc., have very small credit. They can and usually do get their daily supplies from the bazar shop-keepers on credit, during the season of scarcity. Otherwise they depend upon private mahajans. Service-holders and middle class gentlemen enjoy a greater scope and can get loans from the many joint-stock banks (loan companies). In fact they form the majority of the clients of these banks.

(ii) Rate of interest generally depend upon the amount taken; the higher the amount the lesser the interest, and also on the nature of security. Purposes of loans are: marriages of daughters, illness in the family, investing in landed property, and occasionally for business. Unsecured loans carry interest nearly 15 per cent. higher.

(iii) Only the last two are of any extensive use.

(iv) On the increase. The class is almost ruined.

Question 7A.—(i) Certainly; but at first only to depositors on the security of their deposits.

(ii) Not necessary.

(iii) Yes. Surplus funds should be utilised for mutual benefit.

(iv) The relationship is one of armed neutrality, and the assistance rendered is nil.

(v) They have a very limited scope. Their transactions are confined to the Provincial Co-operative Bank, Ltd., only.

Question 7B.—(i) There has been a general fall off in the rate of interest in rural areas having co-operative societies.

(ii) There is still unlimited scope for money-lenders. They have, however, been displaced from a few villages.

(iii) Want of mutual trust, and sense of responsibility, due to want of education, and failure to attract substantial men of the village.

Part 1A.—Loan Offices and Joint-Stock Banks in the Mufassal.

Question 1.—(a) Seven. (b) Three. (c) Nil.

Question 2.—(a) Proportion varies between $1\frac{1}{2}$ to 10 per cent. (b) 2 per cent. (c) Such deposits are very small and not always accepted. (d) 75 to 80 per cent. (e) 10 to 20 per cent.

Question 3.—(i) 4 to 8 per cent. (ii) Four years.

Question 4.—(a) Almost nil (b) 50 per cent. (c) 2 per cent. (d) 40 per cent. (e) 5 to 8 per cent. (f) Very little.

Question 5.—(i) Generally there is no limited period. Interest varies between 7 per cent. to 18 per cent.

(ii) Compound interest is always calculated, but in the case of a good client is not realised.

(iii) No.

(iv) Generally not.

Question 6.—(i) No. Very rarely substantial farmers having some influence at the district or subdivisional headquarters may be able to get loans.

(ii) No. They should serve commercial and urban interests.

Question 7.—(i) Usually not. Recently some banks are undertaking commercial banking on a small scale.

Question 8.—(i) The necessity of having a substantial reserve is being appreciated recently, and a small reserve fund is now separately invested in other banks or in Government securities, shares, etc.

Question 9.—(i) Ordinary indigenous system. The books maintained are: cash book, loan ledgers of different kinds, deposit ledgers, etc.

(ii) Not absolutely necessary as the system is practically uniform.

Question 10.—They ought to be federated.

Question 11.—By educating the authorities in true commercial banking.

Question 12.—Yes. Policy of investing in land of middle classes, want of experience and knowledge of commercial banking, and defective management.

111.

Mr. Umesh Chandra Chakrabartty, Secretary, Coalundo Co-operative Central Bank, Limited, P.O. Rajbari (Faridpur).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) They take loan from co-operative village societies, from loan offices and professional money-lenders.

(ii) The rates of interest charged in this subdivision in respect of advances are 15 per cent. per annum from co-operative village societies, 12 to 37½ per cent. per annum from loan offices and money-lenders from the co-operative village societies they take loan for up to 3 years at the rate of 15 per cent. per annum. From the loan offices and money-lenders up to 6 years, from 12 to 24 per cent. per annum and on mortgage of landed properties and by pledge and from 24 to 37½ per cent. per annum by pro-notes and bonds up to the period of 3 years. The security of standing crops is not accepted generally here.

About 75 per cent. of loans may be called secured loans, and 25 per cent. unsecured loans.

(iii) After establishment of the co-operative societies the Government does not generally finance the agriculturist by agricultural loans. The Imperial Bank of India does not give any such loan here.

(iv) It is very difficult to give the total amount of capital required for the various purposes stated above in this subdivision but on rough calculation it will be about Rs. 50 lakhs.

(v) The defects in the present system of financing agriculture in the co-operative societies are the following:—

About financing.—As soon as the loan is required, the members of the co-operative societies intimate it to the office bearers of the village societies, the office bearers convene meeting and decide to give them loan and to take the loan from the Central Bank office. They apply to the Central Bank office. The Central Bank office sends the application to the area supervisor for enquiry and report, the area supervisor then enquires and sends their report and then the petition is put up to the next meeting. After the sanction of the loan in the meeting, the matter is intimated to the society and then they take loan from the Central Bank. This procedure takes about a month's time, and the delay defeats the object of the loan. In my opinion cash credit to some good societies is to be sanctioned by the Board of Directors in the Central Bank, so that the office bearers may easily take loan from the Central Bank without such delay.

About realisation of loan.—There is no prompt procedure for the realisation of loan from a bad member of a good society. The dispute takes not less 6 months for decision for the realisation of loan. Moreover, the office bearers do not like to execute the dispute decree easily. A prompt certificate procedure may be laid down for the realisation of loan from a bad member of a good village society.

Question 2. (viii) The internal remittances are made only by postal money order and insurance.

(x) No negotiable instrument is used in the internal trade of this subdivision.

(xi) The more extensive use of bills is necessary.

(xii) In this subdivision *hundis* are not in use.

Question 3. In this subdivision the value of jute land is generally Rs. 40 to Rs. 50 per bigha and that of paddy land Rs. 20 to Rs. 50 per bigha.

Question 4. (i) Previous to the amended Bengal Tenancy Act, the agriculturist had no right to mortgage the agricultural holdings.

(ii) Under the amended Bengal Tenancy Act, the agriculturists can mortgage and sell their holdings.

(iv) In this subdivision there is no land mortgage bank, but the local loan offices finance the agriculturist on mortgage in some cases.

(v) They raise capital by share capital and deposits.

(vi) Land mortgage samity may be established here. It may finance the agriculturist keeping their land in mortgage upto 1/3 of the value of land, and the rent of landlord to be paid by the society.

(viii) The working capital of the proposed mortgaged bank should be derived largely from—

(a) share capital,

(b) deposits, and

(c) funds from central institution.

- (xi) The agricultural mortgage banks should raise money : —
 with Government guarantee at 3 to 4½ per cent. per annum,
 without Government guarantee at 3¾ per cent. to 6 per cent. per annum,

and they should lend out money at 9¾ per cent. to 10½ per cent. per annum.

Question 5. (i) The existing indebtedness may be estimated at fifty lakhs of rupees.

(iii) (a) The amount of debt with land as security (which is in the form of a registered mortgage) may be estimated to be 20 per cent. of whole indebtedness.

(iv) The purposes for which the debt was incurred were the following :—

- (a) repayment of earlier debts,
- (b) marriage and other social occasions,
- (c) litigation,
- (d) repayment of rent,
- (e) growth of the debt by compound interest, interest not having been paid, and
- (f) cattle and seeds.

(v) Debt is largely due to loan offices, co-operative societies and professional money-lenders.

(vi) Agricultural indebtedness in this subdivision is increasing.

(ix) Itinerant money-lenders are found here with highest rate of interest such as 60 to 96 per cent. per annum but they are very small in number here and they lend very small amounts.

(xiv) By starting of co-operative golas the raiyats can get loan of seeds and paddy for their needs in normal times.

Question 6B. (i) Day labourers, fishermen, small traders, service-holders and middle class gentlemen generally take loan from loan offices, professional money-lenders and co-operative societies.

(ii) They take loans for family maintenance, for marriages.

(iii) They take loans for funerals, for payment of old debts, etc., at the rate of 24 to 37½ per cent. and from co-operative societies 15 per cent., and by pledge and mortgage at 12 per cent. from the professional money-lenders and loan offices.

(iv) The indebtedness among these classes is generally on the increase.

Question 7A. (i) It is desirable that co-operative central banks should be permitted to grant loans to individual members and depositors.

(ii) It is desirable to enlarge the scope for the investment of funds of co-operative societies and to relax the restriction contained in section 32 of the Act.

Question 7B. The rate of interest charged by professional money-lenders and loan offices has been reduced to some extent.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. In this subdivision there is only one office and their working capital is about 2 lakhs to 4 lakhs of rupees.

Question 2. They keep very small amount in the reserve fund.

Part II.—Indigenous Banking.

None here.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) The existing banking resources in this subdivision are the deposits of the individual members.

(iii) Saving deposits are accepted at the rate of interest of $3\frac{3}{4}$ per cent.

Question 2. (i) Postal Cash Certificates are very popular in this subdivision.

(iii) Savings Banks afford all possible facilities to a certain extent to the small depositors.

(iv) The service-holders generally keep money in the Savings Bank.

112.

Mr. Bagalapada Banerjee, Honorary Secretary, Suri Friends' Union Co-operative Bank, Suri (Birbhum).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) The agriculturist obtains short-term loans at high rate for cultivation expenses from private money-lenders who sometimes happen to be middlemen or landlords. Co-operative Banks play some, though a small, part. Mill-owners or collecting organisations advance short-term loans and purchase paddy in setting off their dues.

(b) Credit for improvement of land has to be long-term and is hardly available to small owners. Co-operative banks advance long-term loans but the amount thus made available is negligible.

(c) For special needs loans are to be contracted from professional lenders against security of lands. In extreme cases land is absolutely transferred.

(ii) Rate charged by private mahajans is 18 to 30 per cent. per annum. The period stipulated is usually short and security offered and accepted is land by way of mortgage. But repayment is seldom, if ever made, within time and mortgages are usually foreclosed after the liability has sufficiently increased to make it impossible for the borrower to clear it. Thus small-owner borrowers are gradually becoming landless. Collecting firms, etc., advance unsecured loans where the prospective produce is the implied security and is purchased after the harvest as set off at a price which they impose.

Secured debts amount to three-fourths of the total debts in this part of the country.

(iii) Co-operative banks and professional lenders and dealers (collecting firms, etc.) play some part as indicated already. The Government, the Imperial Bank or the joint stock banks play little or no part in agricultural finance.

(iv) The principle defect is that capital is shy and unorganised. Easy credit, short-term for cultivation purposes and long-term for improvement of land or marketing, is not available. The mahajan's and the collecting firm's rates are high; the latter's term being unusually short.

Collecting firms etc., who play the part of creditors, rule the price, at which they purchase the produce. There is a large number of intermediaries between the producer and the person who brings the commodity to the point of export or consumption.

To remedy these, capital should be organised and investments attracted; long-term credit should be made available by establishment of credit institutions; market system should be bettered and selling conducted on co-operative lines. Number of intermediaries intercepting the profit will be diminished, but if still found necessary, legal measures should be devised to discourage their existence.

Question 2.—(i) Small producers sell their produce in or about the village. Cost of movement to the market will be out of proportion to the amount of produce. Price obtained in or near the place of production is much lower than the full market rate and the supplier is at a perpetual disadvantage as against his possible buyers.

In cases where the producers had advances from collecting firms, etc., or their agents or independent middlemen, the crop is sold soon after harvest to these creditors who dictate the price and intercept the profit.

Poverty and indebtedness render producers incapable of holding up their crops. After the crops are grown they have to be sold before the next harvest and this must be done whatever the rate.

(ii) Co-operative sale societies are worth organising. Given education and efficient management, pools may be successfully formed and selling done on co-operative lines. In forming pools and sale societies capital has to come from sale of shares, but credit has to be obtained from co-operative central banks. Arrangements are to be made so that the producers may hold up their produce in such pools or societies and obtain credit from them till a suitable market is found.

(iii) There is a co-operative paddy sale society at Metala in the Sadar subdivision. There may be one or two others. The capital is obtained from shares and loans from co-operative central bank. The Metala Society, as far as I know, does not function; it has done little or no business.

Question 4.—(i) In the case of Sonthals there is legal impediment under the Bengal Tenancy Act, for Collector's permission is necessary before land can be mortgaged. Besides, the amended Bengal Tenancy Act has abolished usufructuary mortgages except absolute ones.

(ii) The amended Bengal Tenancy Act, in so far as it has given right of alienation to the tenant agriculturist, has influenced his credit

favourably. But the zemindar's fee having been made payable at the time of registration stands in the way of the transferor's getting the value which he was previously getting; in this respect the agriculturist's credit has been adversely influenced.

(iii) If the agriculturist is to obtain credit from long-term credit institution it will have to be on security of land. Fragmentation makes it difficult to assess valuation and to watch if the security is deteriorating. Then again, improvement is more expensive if holdings are fragmentary.

(iv) No, except co-operative central banks in so far as they give long-term credit.

(vi) Agricultural banks on co-operative lines are suggested. They should accept deposits for fixed periods and advance credit against the security of land. They might also extend credit to sale societies on the security of stock in store. They may also buy and sell genuine bills payable in India and having a maturity not more than 90 days.

(vii) (b) Elaborate and expensive process of litigation and execution should be done away with, the proposed agricultural banks should be given the right to foreclose mortgages and apply to the District Collectors for certificates which being granted mortgaged properties should be publicly sold and the bank's dues realised.

(c) Abolition of costs of reference and education of those of registration are suggested.

(viii) The working capital should be derived largely from debenture bonds.

(ix) Debenture bonds should carry Government guarantee both for principal and interest.

(x) A Government expert, assisted, if necessary, by a technical staff, will have control over the banks business and will examine applications for credit and the purpose for which it is sought and the security offered. No loan shall be granted if objected to by this expert. Amount of credit allowed and the period and the rate of interest shall depend on his recommendation. Auditors shall be appointed by Government and a cess charged for this. Rate of interest on loans shall certainly be higher than the deposit rates and the debenture bond rate. A portion of the excess, not more than 25 per cent., shall be retained by the banks while the rest of the excess shall be held by the Government as a separate reserve or a set off against possible Government loss.

(xi) Interest of guaranteed debenture bonds should be 5 per cent. Deposit rates should approximate to those of nearest co-operative central banks.

Question 5.—(vi) Yes. It is increasing.

(vii) Very inadequately.

(viii) If the enquiry which has to be made into applications for loans is conducted by Government employees with expedition, operations of these Acts would be prompt and helpful.

(ix) Kabulis are familiar figures in this part of the country. Usually, they lend small amounts at rates as high as 2 annas per rupee per month (150 per cent. per annum). They realise interest

every month by practising *zuloom*, if necessary, and let the principal remain unsatisfied.

(xi) The Act is operative in cases which come before courts. The vast majority of private transactions never come before courts. A legal provision embodied in the Act to the effect that a creditor shall not get a decree for more than twice the principal irrespective of the stipulated rate of interest and period for which the debt remains unsatisfied would prevent accumulation and afford relief to debtors generally.

A standard should be laid down which the courts should follow in secured and unsecured debts.

A legal maximum should be fixed, exaction of higher rates than which should be a cognizable offence.

(xii) In secured debts courts usually allow stipulated rates. Compound interest even if stipulated, is not allowed.

(xiii) In some cases the Act is evaded by taking a bond for a larger amount than actually advanced.

(xiv) Seeds and paddy for normal needs may be advanced by co-operative village societies who will be repaid after the next harvest, or in exceptional cases, after the harvest after next.

(xv) Paddy loan rate is 50 per cent. It may be pointed out that paddy loans are taken in Sraban and Bhadra and repaid in Poush or Magh. Per annum, therefore, the rate is over 100 per cent.

(xvi) In some places if paddy loans remain unpaid after the harvest interest is added to the principal and thus compound rate is charged. Interest is paid and received in kind.

(xvii) Yes.

(xviii) It does.

Question 25. (i) These people borrow from private lenders. Some middle class people and small traders, service-holders included, who live at Suri (headquarter of the district) obtain loans from the newly started co-operative urban bank (Suri Friends' Union Co-operative Bank, Ltd.).

(ii) The mahajan's rate is between 18 to 30 per cent. per annum, higher for unsecured and lower for secured debts. The Co-operative Urban Bank rate is 9½ per cent. per annum. Purposes for which loans are taken cover a variety of subjects, such as marriage of wards, medical expenses, payment of other debts, financing business (though seldom).

(iii) The Government (excepting in cases of loans from provident funds) or joint stock banks of which there are none here, render no help to day-labourers, small traders, service-holders and middle class men. The co-operative urban bank already referred to, is doing something. It is the mahajans with their high interest rates who extend credit to these people generally.

Extension of co-operative urban banks will perhaps be helpful.

(iv) Indebtedness is increasing.

Question 7.—(i) As far as I know no relation exists between co-operative banks and the other banks excepting the Imperial Bank of India. The relation between the Imperial Bank and the co-operative banks is confined to the arrangement according to which the former under certain conditions grants cash credits to the latter.

(ii) To my mind co-operative societies do not as a rule experience financial difficulties. There may be need for more money and credit for these banks in future when people begin to take fuller advantage of the co-operative movement.

(iv) There are no joint stock banks or branches of Imperial Bank or loan offices in this district.

(vi) I am in favour of granting such concessions as exemption from income-tax, reduction of fees on money remitted through post offices, and the bestowal of the right to genuine (and properly functioning) societies of realisation of dues by the certificate procedure. Reduction of audit cess fees is also recommended.

Question 7A.—(i) Co-operative central banks should not assume a hybrid character by advancing loans to individuals and thus compete with co-operative urban banks. Loans to individuals should be advanced by urban banks where amounts required are not very heavy. For larger loans individuals should turn to agricultural banks catering to the needs of people requiring long-term credit against security (which will usually be land).

(ii) The scope of investment of co-operative societies should not be extended. The restrictions imposed by section 32 of the Act go a great way towards ensuring safety and attracting investment. Co-operative societies are at present less popular than they should be and the abolition or relaxation of the limits mentioned in section 32 would perhaps impair the growth of the movement.

(iii) No.

Question 7B.—(i) The effect has been very little, at least not appreciable.

(ii) Mahajans have not been replaced to any visible extent. I am afraid in some cases panchait members (directors) or village societies play the part of private lenders with the money borrowed from the Central Bank. They therefore constitute so many additional private lenders.

(iii) The main factors are—(a) lack of sense of duty, (b) want of appreciation of benefits of co-operative organisations, which is attributable to want of education and proverbial conservatism, (c) absence of actual educative propaganda amongst the masses, and (d) existence of a very large number of bad co-operative societies standing the way of the co-operative movement becoming popular. Futility of these societies is interpreted by the uninstructed as inefficacy of co-operative methods. Societies should not be organised where on account of lack of necessary enthusiasm on education and intelligence there is no reasonable chance of success. Efforts should be directed to prepare the ground by educational propaganda. Bad societies should be quickly

liquidated. That would save a lot of time and money which Government officers might better utilise in propaganda work. In short, quality should be aimed at and not quantity.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(iii) The Government securities and other well-known securities and debenture bonds and Postal Cash Certificates attract investment. Amongst institutions may be mentioned banks accepting deposits of which the co-operative central and urban banks are the only ones in the district, and the Post Office Savings Bank.

(iv) No.

(v) These facilities may be improved and extended. There should be savings bank in all post offices including branch offices. Co-operative central urban banks should attract investment by adopting endowment schemes under which small monthly payments for a number of years would entitle the investor to a lump sum on maturity. Rules in this connection should be framed so that without covering the risk of life the scheme may be attractive both for purposes of savings and investment. (The Suri Friends' Union Co-operative Bank, Ltd., has adopted a scheme like this.)

Question 2.—(i) Postal Cash Certificates are not popular in the district. Number of people in villages who know much about the certificates is small. Better advertisement in the interior and arrangements for selling them through Government Circle Officers in every union board office will attract more investors.

(ii) If possible, the original rates may be re-adopted (i.e., Rs. 7-8 for a certificate instead of Rs. 7-12). Further, some interest should be allowed in case a certificate is cashed within one year. This rate may be the same as that of the Postal Savings Bank.

(iii) The Postal Savings Banks afford facilities to the investors in and near towns. Then again the low rate of interest renders them rather unattractive. Postal Savings Banks are few and far between. A bank does not attract investors living at a great distance from it.

(iv) It is only the educated middle class in and near towns, including service-holders, who resort to Post Office Savings Bank.

Question 4.—(i) The cheque habit is growing though very slowly.

(ii) Abolition of stamp duty has been helpful in promoting this habit.

(iii) Highly paid service-holders, merchants and traders in big centres and rich and middle class people having bank accounts, and big land-owners are the only people amongst whom the cheque habit has grown to some extent.

Acceptance of current deposit by all the co-operative central banks and by those urban banks who find it possible to manage it will promote this habit. Government employees as also those under the District and Local Boards and municipalities and banks above Rs. 100 should be paid by cheques.

113.

**Mr. Tarapada Mazumdar, Secretary, Kushtia Co-operative Bank, Ltd.,
Kushtia (Nadia).**

Part I.—Agricultural credit and credit facilities for small industries.

Question 1. (i) (a) Practically speaking there is no system prevailing in the district for financing the agriculturists for expenses during cultivation.

(b) and (c) The above answer *mutatis mutandis* applies.

(ii) The private money-lenders advance money at their discretion, but the rates of interest are exorbitant: 37½ per cent. per annum or half anna per rupee per month with annual rest is the prevailing rate. But in case of secured debts, where the security is more than adequate and the amount is large, say Rs. 500 or above, the rate varies from 18 to 30 per cent. per annum, the due date is fixed in the generality of cases in the month of Chaitra and in some cases Aswin also.

The nature of the security given and accepted is immovable property, consisting of jamai land of the borrowing agriculturist, who has right of occupancy therein. No money is generally advanced on the security of standing crops.

In my opinion the proportion of secured and unsecured loans is in the proportion of 3 to 1.

(iii) Neither the Government nor the Imperial Bank of India nor Joint Stock Banks have any dealings with the agriculturist of the country in matters of granting loans for agricultural purposes. The co-operative banks have certainly such dealings in cases where the agriculturists of particular villages, or a particular defined section of a village when it is large, form themselves into societies under Co-operative Societies' Act. There are no indigenous banks or bankers for the purpose. Professional money-lenders advance money at an exorbitant rate of interest. Merchants and dealers in some cases advance money, when the agriculturist is a jute-grower, on promise of repayment by supply of the jute grown. There are no organisation giving credit to the agriculturists.

(iv) In the subdivision of Kushtia a capital of rupees 50 lacs approximately will be required for the above purposes.

(v) There is no system worth the name of financing agriculturists; hence it is difficult to anticipate the defects which will arise in case such system is introduced. In co-operative banks where the system is growing up by leaps and bounds, there is difficulty in realisation because the system of security is not enforced. A system may be introduced for advancing money on the security of crops, but it will be difficult for enforcing repayment by individual agriculturist. Prompt certificate procedure is deemed to be a partial remedy in this matter.

(vi) The question does not arise in view of the existing circumstances in the above answers. In the co-operative banks the co-ordination of the Government will be of immense value. If Government timely advances money to such banks as occasion requires, the agriculture of the country will certainly improve. Other credit agencies, viz., Loan Companies incorporated under the Indian Companies Act sometimes

invest their reserve fund in co-operative banks. If they invest their surplus money in co-operative banks for agricultural improvement, conditions will certainly improve.

Question 2. (i) The method employed in this district for marketing principal crops, namely, jute, gram, kalai, matar, paddy or other country goods, is through "farias" who purchase those commodities in villages from the producing raiyats. The producer is not in a position to hold up his crop for better price. This is due to his indigent circumstances.

(ii) Forming pools is possible only by co-operative efforts. This requires primarily education amongst the raiyats. The task should be left to the co-operative banks which may improve the situation by propaganda work. They should start supply and sale societies in which the cultivators should be share-holders. These sale and supply societies may retain the produce in stock for better market if supported by Government.

(iii) In the district of Nadia there is one such Sale and Supply Society at Alamdanga Bazar in the Chuadanga subdivision. This society is linked to the Bengal Provincial Co-operative Bank, Ltd., Calcutta, and is financed by the said Bank at the recommendation of the Registrar of Co-operative Societies. The said society has practically no funds of its own and hence it cannot go on unless financed by the aforesaid Bank.

(iv) It will be of great benefit to the producers if credit facilities be organised for the financing of products during marketing. Whenever the raiyat puts his produce in the custody of the purchaser, he should receive an advance at the then market rate against the produce stored. At present aratdars make such advances against the produce delivered for sale through their "arats" to the extent of almost three-fourths of the market value thereof.

(v) In foreign trade there is the organization of Bills of Exchange to facilitate the import and export of commodities and the Exchange Banks advance money on the security of the bills of lading, etc. But in the inland trade there are practically no such facilities except the part-advance made by the aratdars as described above. The complications of the foreign exchange do not arise. Only provisions are to be made for remittances of money for commodities purchased. Rupees and currency notes are sent from the port towns and commercial centres for payment to the cultivators. The shroff or mahajan and banking houses finance this trade and remittances are made through the instrumentality of bills or hundis.

(vi) (a) The cultivator sells his stuff to a "bepari" or petty dealer who has received advances from a mahajan or aratdar. The latter sells to the representative of a large exporting firm or mill and prices are regulated by the conditions of market, external and internal. The only bankers through whose help the whole of this process is carried are the aratdars or mahajans who are also merchants themselves. Hardly any very appreciable part is played by any other banking organisation.

(b) In the reverse process the importers of the foreign commodities make these over to the selling agents stationed at the important centres and they in their turn pass off those goods to the dealers in the mufassal. Thus the goods gradually find their way to the consumers. Facilities of finance are conspicuous by their absence. The whole affair is managed by a graduated system of credit, as for instance, the importers

allow the agents two months' credit, the agent in his turn allows the mufassal dealer one month's credit, and so on. Only at the top there is a "mahajan" banker who pays off the exporter from whom the goods originally emanate.

(vi) (a) The abovementioned middlemen by exacting exorbitant rates for their work generally carve out a good slice of the profits of the trade and thus deprive both the consumers and producers of a lot of what is due to them. But this necessary evil assumes threatening proportions at times when these people leave their accustomed vocation and take to speculating. The abrupt rise and fall in prices that occasionally punctuate the even tenor of trade in this country is primarily due to these people. This evil can be remedied by establishing a net-work of banks conducted on sounder principles to facilitate these movements of commodities, inward and outward.

(vi) (b) As mentioned above, there are a number of middlemen intervening between the Indian raw material producer and the foreign consumer. Producers are poor, ignorant and unorganized and cannot make the best of what they have to offer for sale. The cream of the trade is carried away by the middlemen and the cultivator has to be content with what he is paid. Compared to them these middlemen are in an infinitely stronger position and usually dictate the price. For instance, the grower of jute, in the mufassal seldom gets in a normal year more than Rs. 7 or Rs. 8 per maund, whereas at the final port of shipping the price runs at five or six times as much. Elimination of the middlemen has grown to be the urgent problem of the day. Co-operative sale and purchase are being established in a few places and in that direction lies salvation. The producers have to organize themselves into selling agencies preferably on the co-operative principle.

(vii) As far as jute is concerned, the ultimate buyers who are the big firms of balers or mills enjoy almost a position of monopoly and it is to their interest to prevent the establishment of Inland-trade Financing Banks which are sure to provide the producers with better bargaining strength. Certainly it is one of the causes of the present lack of banking facilities for the movement of trade. Want of definite standard of quality does not count much, since a rough standardisation by an authoritative agency or department can obviate the difficulty. Moreover, this want of standards of quality in respect of raw produce is not peculiar to India alone.

(viii) The internal remittances are usually made through the postal agencies, *i.e.*, per insurance and money-orders. With the rise of the modern joint stock banks and the Imperial Bank with branches in the mufassal remittances are often made through cheques. There are also indigenous banking houses which play an important part in the internal finance of the country. They accommodate small traders and producers whom the big banks cannot reach. Their hundi drafts are easily available and remittance can be most conveniently effected in the absence of other banking facilities.

(ix) Postal remittances are rather too costly for purposes of trade and large amounts are seldom remitted through that agency. The hundi system has the sanction of a lengthy past, but is not often that the speculative vagary of a single mahajan launches a host of small traders to ruin. The best way out would be the establishment of a network of banks and branches. That will result in effecting a surer and steadier basis of money-remittance within the country.

(x) Negotiable instruments, viz., drafts and hundis, play not an unimportant part in financing the inland trade as set forth above. Practically speaking, they constitute the only form in which the inland trade gets help from the indigenous banks [*vide* answer to Question 2 (v).]

(xi) So long as there are no adequate provisions for setting up banks to finance the internal trade effectively, anything calculated to extend the use of these bills or hundis will be of help to the movement of trade. A reduction of duty on them is likely to induce the people to use them more extensively.

(xii) Ordinarily there are two classes of hundis used in these localities—(a) simple drafts used for purposes of remittance; (b) the trade bills used for purposes of financing trade.

(xiii) It is rather difficult to hazard an opinion on it, still the likely vent is that introduction of standardised forms on stamped paper may facilitate their use.

(xiv) They are not discounted here, usually they are sent over to Calcutta for the purpose.

(xv) No. The only thing that can be suggested is the establishment of banks for the purpose.

(xvi) In this locality the ordinary system is that the “beparies” approach the producers, collect the produces and stock them with the aratdars. The area covered is not very extensive. In cases where the goods are sent by railway consignment, the aratdar advances money on the railway receipt.

(xvii) The consignment of goods through steamer is practically non-existent in this locality and it is not within my experience whether difficulties arise in the connection.

(xviii) The system of the licensed warehouses is a welcome change. By establishing such warehouses, at least one set of middlemen, viz., the aratdars can be eliminated. The produce can be furnished with a certificate of the stock that he deposits with the warehouse and he can raise further money on the basis of that.

(xix) Certainly, Government help is the only thing that can materially solve the problem. If anything is to be done, it will have to be done on a large scale and that is impossible except under the direct guidance and assistance of the Government. In fact, the Government will have to take the initiative if the desideratum is to be achieved.

Question 3. (i) In the Kumarkhali thana of the Kushtia subdivision, the value of the land generally varies from Rs. 450 to Rs. 600 per acre according to the quality of the land, jute-growing lands fetching the highest value. Then come the Kushtia, Mirpur and Bheramara thanas where the value of the land is generally from Rs. 150 to Rs. 450 per acre; the price varying according to the quality of the land. In Daulatpur thana the value varies from Rs. 60 to Rs. 150 per acre according to quality, jute-growing land fetching better price. The value of the lakheraj lands are a little higher. The above price holds good in the case of khas lands.

(ii) Properly speaking, quality of land is the most important factor which determines the value. The price varies also according to demand for the same as also to the circumstances of the people of the locality.

(ii) (a) In Government revenue sales, only the proprietary or the maliki right is sold and generally such sale does not fetch proper value.

(b) In court sale, lands are sold at a little less than proper value.

(c) In voluntary sales, the lands fetch their proper value as prevail in the locality. The price varies according to demand.

Question 4. (i) The impediment, which existed before the passing of the amended Bengal Tenancy Act, 1928, to the mortgage of the lands appertaining to occupancy holding has been removed by passing of the aforesaid Act. Now all holdings expecting under-raiyati holding without occupancy rights can be transferred by mortgage or otherwise.

(ii) The credit of the agriculturist has been favourably influenced as the bar of non-transferability of his occupancy holding has been removed by the aforesaid enactment.

(iii) The smallness or fragmentation of agricultural holdings certainly affects the establishment of long-term credit institutions inasmuch as the creditor does not think it safe to allow long-term credit to such borrowers.

(iv) At present there is no land mortgage bank or agricultural bank, strictly speaking, for providing long-term credit. There was one such bank at Selaidaha organized by Babu Surendra Nath Tagore of Calcutta. But now it has practically ceased to work. There are some joint stock companies in this district dealing in loan business. They advance monies on mortgage of movable and immovable properties or on hand-notes or simple bonds according to the solvency of the parties.

(v) These Companies raise their capital by issue of shares, into which their capital is divided. But their share money is nominal. Their capital is supplemented by deposits which are attracted according to the solvency and respectability of the Directors. They invest money thus raised in long-term secured or unsecured loans at a reasonable rate of interest as provided in their Articles of Association.

(vi) The above answer will serve the purpose. Banking associations may be established on sounder footing on State support.

(vii) (a) Record-of-rights has already been prepared and finally published in this district. It is a great help to the creditor in examining the rights of the borrower in the holding, which he proposes to hypothecate. Such records get the advantage of simple presumption in court which can be rebutted. The record-of-rights should be so improved as to have the force of a decree at rem.

(b) The time of grace should be reduced to one month in place of six months as now in force in suits for foreclosure.

(c) Reduction of costs of reference to record-of-rights, etc., is highly advantageous to the borrower and creditor. The costs for taking certified copies thereof should be reduced.

(viii) (a), (b) & (c) Yes.

(ix) Yes, the debenture bond should carry Government guarantee both for principal and interest, otherwise there is little likelihood of debenture bonds being subscribed.

(x) The loss which the Government may suffer should be treated as first charge on the assets of the bank.

(xi) The terms for raising moneys by way of (a) deposits, (b) funds from central institutions, and (c) debenture bonds should be in case (a)—(1) Fixed deposits withdrawable on two years' notice bearing interest

at the rate of 7 per cent. per annum; (2) fixed deposits withdrawable on one year's notice bearing interest at the rate of 6 per cent. per annum, and (3) half-yearly deposits withdrawable on six months' notice bearing interest at the rate of 5 per cent. per annum.

In case (b)—

(1) for long-term loan repayable in three equal annual instalment, interest 7 per cent per annum.

(2) for short-term loan repayable in November in the same year as the loan is received, interest 6 per cent. per annum.

In case (c) the debenture money should be repayable after the expiry of six years. It should carry interest at the rate of 7 per cent. per annum, interest payable half-yearly.

The Bank should invest the capital in long-term secured loan for three years at an interest at $10\frac{1}{2}$ per cent. per annum and short-term loan repayable in October at an interest of 9 per cent. per annum.

(xii) Yes.

(xiii) In case of sound security, long-term loan may be allowed for four years at an interest of 9 per cent. per annum.

Question 5. (i) I have no knowledge of the estimate.

(ii) By search in the Registration Office.

(iii) (a) & (b) In case of simple mortgage of immovable properties, the mortgage is to be effected by a registered instrument. Village house is immovable property. Ornaments may be pledged by delivery of possession. Plough and agricultural implements are not liable to attachment and sale by court. Mortgage of crops or produce is too far-fetched an idea.

(iv) The debts are incurred for purposes indicated in clauses (a) to (i) of the question as also for erection of dwelling huts and for other domestic purposes as also for carrying on trade.

(v) The creditors in majority of cases are professional money-lenders; in some cases joint stock loan companies and in others co-operative societies.

(vi) In the Kushtia subdivision agricultural indebtedness is decreasing as far as I know.

(vii) No, in the Kushtia subdivision as far as I know.

(viii) Prompt disposal of petition for such loans by the officers concerned.

(ix) Yes, there are such money-lenders in the Kushtia subdivision, they lend money at a very high rate of interest, ranging from anna one to annas two per rupee per month on Dastabej or simple bond.

(x) Yes, there are many such instances and full particulars whereof may be obtained by reference to the civil courts.

(xi) The benefit of the Usurious Loans Act (Act X of 1918) is seldom received in view of the Privy Council Ruling prohibiting interference by subordinate courts with agreements lawfully and freely entered into by the borrower or debtor.

(xii) No, as far as I know.

(xiii) Such practice has never come to my knowledge. Such instance even if it really takes place can hardly be proved.

(xiv) Regulation of adequate rate of interest by legislation.

(xv) The ordinary and prevailing rate of interest is 50 per cent. per annum with annual rest.

(xvi) The rates of interest as stated before vary from 18 per cent. to 37½ per cent. per annum with annual rest, the interest being added up to the principal at the end of the year if not earlier according to agreement.

(xvii) In some cases this is so, but this is not so in majority of cases in the Kushtia subdivision.

(xviii) Certainly.

Question 6. (i) The agriculturists of the locality are, as a rule, very indigent and the small fragment of land owned by them, is by no means sufficient to provide for their maintenance throughout the whole of the year. They have to take to something else during their off season. But the subsidiary industries, *e.g.*, spinning and weaving, hardware, cutlery, pottery domestic utensils, that had been their age-long means of subsistence in a subsidiary way have gone under the pressure of foreign competition, and the modern cultivator has been reduced to the position of serving as a day-labourer.

Each of the industries mentioned in the questionnaire, save the one of hand-spinning, requires capital and the agriculturists are not in a position to raise the necessary amount. Dairy-farming, sugar-refineries, cotton-ginneries, properly speaking, are unknown in this district. The number of rice-mills, gur-making industries and garden-produce concerns on a considerable scale, can be counted on the fingers.

(ii) By organising groups of producers of a particular crop into societies on co-operative basis, they can be encouraged to take to particular industry that suit them. Thereby they will be able to eliminate at least one set of middlemen and will get better return for his produce.

(iii) Hand-spinning is such an employment and is profitable too. This at least should be encouraged for all. Particular groups should take to other industries, *viz.*, cloth making, hardware, cutlery, pottery, domestic utensils, etc., according to their individual tastes.

(iv) If they form into societies on co-operative principles, each can contribute his surplus, if any, towards the capital and the balance of the working capital will have to be contributed by the Government.

(v) The Government can make such contributions through the existing co-operative central banks or through village banks set up for the purpose.

Question 6A. (i) There are no such industries in this district and the question cannot be answered.

(ii) Establishment of industrial banks are expected to render real service towards the desired end. Exempting the incomes of these concerns from income tax duty will tend to direct the flow of investment towards these industries.

Question 6B. (i) These people obtain loans from the village mahajan or the existing banks on ordinary bonds or pro-notes or on the security of other movable or immovable property.

(ii) From the village money-lenders they generally borrow at an exorbitant interest, i.e., at the rate of 37½ per cent. per annum, in their household expenditure, erection of huts, for purchase of boats, nets, etc. In case of unsecured debts, the rate of interest is half anna per rupee per month. In case of secured debts, interest varies from 24 to 30 per cent. per annum.

(iii) For these non-agriculturists, the Government has no system of advancing loans. Co-operative banks render some service, but the scope is limited to the members only. The joint stock banks touch only the fringe of this colossal indebtedness. Setting up of village banks, meting out help to the deserving, of course with an eye to proper realisation by instalments will be a real step in the desired direction. The rate of interest should be reasonable and sufficient inducement should be afforded to the people of the village to draw investments from the people enjoying a surplus.

(iv) In my estimate the indebtedness among these classes is on the increase.

Question 7. (i) Co-operative banks have connection with the Imperial Bank of India, the Bengal Provincial Co-operative Bank has accounting with the said Bank, besides the Imperial Bank advances money to Co-operative Central Banks up to certain amount on the recommendation of the Registrar, Co-operative Societies, if the said Provincial Bank, Ltd., stand surety. Co-operative banks have no connection with any other banks except that some joint stock banks put their reserve fund in deposit with such bank.

(ii) The co-operative societies are unlimited liability societies. The solvent parties do not like to accept the liabilities of the poor members. Rupees 250 is the maximum amount which can be advanced to a member, this amount often times does not satisfy the needs of a member. The Central Bank finance societies cautiously. The societies prefer long-term capital, as they apprehend failure of punctual payment consequent on failure of crops.

(iii) It is very difficult to answer the question. As far as can be guessed, an extra capital of 10 lacs of money be required to finance co-operative movement of this subdivision.

(iv) There is competition between the co-operative bank and joint stock banks in the matter of securing deposits, but there cannot be any competition with regard to advancing loan. There is no branch of the Imperial Bank in the Nadia district.

(v) The above answer will apply.

(vi) Financial concessions are desirable to stimulate the growth of the co-operative movement. Income-tax and money-order commission should be altogether remitted.

Question 7A. (i) It is highly desirable that co-operative central banks should be permitted to advance loan to the depositors to the extent of three-fourths of their deposit moneys. Other joint stock banks advance such loans to the depositors. It will be rather difficult to advance loans to undivided members.

(ii) No.

(iii) Yes.

(iv) At present there is no relation between co-operative banks and joint stock banks, except that joint stock banks deposit money in co-operative banks.

(v) The co-operative central banks cannot and ought not undertake the banking business as indicated in this question.

Question 7B. (i) The effect of the establishment of co-operative societies in rural areas has been very advantageous to the agriculturist of the Nadia district.

(ii) The co-operative credit societies are fast replacing professional money-lenders, as loans are advanced at lesser rates of interest without compounding. Concrete instances are many.

(iii) The factors which operate against the rapid spread of co-operative banks in rural areas are:

- (1) The liability of the societies is unlimited.
- (2) Want of literate members required for carrying on the business of the bank.
- (3) The opposition of the local money-lenders.
- (4) Heavy indebtedness.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) The head office of the Kumarkhali Banking Corporation, Ltd., is located at the headquarters station of the district at Krishnagar.

(b) A branch of the Kumarkhali Banking Corporation, Ltd., and the Kushtia Loan Office, Ltd., are located at Kushtia.

(c) One Branch of the Kumarkhali Banking Corporation, Ltd., Dinanath Kundu & Co., and Kumarkhali Co-Credit Association (Joint Stock Company) and United Trading Co., Ltd., are located at Kumarkhali. Khoksa Jubilee Bank, Ltd., and Khoksa Commercial Bank, Ltd., are located at Khoksa.

Question 2. (a), (b), (c), (d) & (e) Kumarkhali Banking Corporation, Ltd :—

				Rs.
Paid-up Capital	...	...	...	18,610
Reserve Fund	...	...	...	20,391

This Bank has no short-term deposit. It takes deposits (1) withdrawable after expiry of one year's notice and (2) withdrawable after six months' notice.

The Kushtia Loan Office, Ltd :—

				Rs.
Paid-up Capital	...	...	...	20,040
Reserve Fund	...	...	...	14,023

It has short-term deposit, intermediate and long-term deposits.

The above particulars of the other banks are not known.

Question 3. (i) The rates of interest in deposits of the Kumarkhali Banking Corporation, Ltd., are 6½ per cent. per annum for one year's deposit, and 3½ per cent. per annum for half-yearly deposits, those of the Kushtia Loan Office, Ltd., are:—

9 per cent. per annum for 3 years' deposit.

7½ per cent. per annum for 2 years' deposit.

6 per cent. per annum for yearly deposit.

4½ per cent. per annum for half-yearly deposit.

3½ per cent. per annum for current deposits.

The rates of interest obtaining in the other banks are not known.

(ii) Three years in the Kushtia Loan Office, Ltd.

Question 4. (a) Kumarkhali Banking Corporation, Ltd.—

Government Promissory Notes for Rs. 1,500.

Postal Cash Certificate, Rs. 3,250.

The Kushtia Loan Office, Ltd., has no such securities.

(b) Rupees 2,03,564 odd, together with pawn of ornaments, are in the Kumarkhali Banking Corporation, Ltd., Rs. 6,371 odd in the Kushtia Loan Office, Ltd.

(c) The Kumarkhali Banking Corporation, Ltd., has put in deposit Rs. 10,000 to the Kushtia Mohini Mills (Weaving and Spinning Mills).

(d) Rupees 87,629 odd Kumarkhali Banking Corporation, Ltd., Rs. 40,658 the Kushtia Loan Office, Ltd.

(e) Rupees 7,369 odd the Kushtia Loan Office, Ltd.

The above particulars are not known of other banks.

Question 5. (i) Only due date is mentioned in the instrument, from which period of limitation begins to run, but it is not enforced. The loans are granted for various purposes, viz., household expenses, marriage expenses, etc.

(ii) Compound interest is provided in the instrument, but it is not enforced in case of amicable realization without suit.

(iii) No.

(iv) No, only due date is mentioned in the bond.

Question 6. (i) Yes, on proper security, they make no distinctions between agriculturists and non-agriculturists.

(ii) No.

Question 7. (i) No.

(ii) Such commercial banking business is not provided in their memorandum of association.

Question 8. (i) No definite portion of profit is carried to reserve fund. The share-holders in their general meeting fix the amount. Some banks invest the reserve fund in Government securities or some invest the same along with the capital and deposit money.

(ii) There are no fixed rate.

Question 9. (i) Cash-books and ledgers for different accounts are kept.

(ii) Yes.

Question 10. Yes; these loan offices may be conveniently federated into central banking institutions.

Question 11. Loan offices can take a bigger share in financing trade and agriculture if they themselves are financed by the Government.

Question 12. Yes, some years before (a) the Kushtia Union Bank, Ltd., a loan company, failed on account of a heavy amount being borrowed by the Managing Director Babu Dakshina Ranjan Acherjea on a number of promissory notes with no intention or power of repayment; (b) another loan company named Damukdia Bheramara Bank under the managing Directorship of the aforesaid Dakshina Ranjan Acherjea collapsed.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) The collective capital of all the existing banks (co-operative and joint-stock) and the indigenous bankers would approximately come up to a crore and a half in the Nadia district.

(ii) Roughly, an additional amount of the same magnitude will be required.

(iii) In the mufassal the means are very scanty almost non-existent. The institutions are the Post Office and the co-operative banks, the latter fostering this habit by a system of home-safe-box. The use of these instruments can be profitably extended.

(iv) No.

(v) Yes, by the introduction of the co-operative societies with its allied institution of the home-safe-box or by some similar method.

(vi) There is no such habit worth the name. Of course, the rich people have valuable ornaments, but that is not much in proportion to their total belongings. As regards the mass the question is absurd. I have never come across people hoarding bullion nowadays.

Question 2. (i) They are as much popular as they ought to be in the present circumstances.

As regards safety, no one entertains the least suspicion. To make them more popular, the rate of interest will have to be raised and the restrictions will have to be removed.

(ii) I don't think they require a revision, but it is a fact hardly worth repeating that by raising the rate of interest these are likely to be more attractive.

(iii) They afford all facilities possible under the present circumstances.

(iv) The middle-class people, the service-holders and labourers usually take to this form of investment.

(v) Raising the rate of interest, increasing the means of saving, raising the economic condition to ensure greater surplus, education, and engendering the habit of saving are the things to be done to attract the rest.

(vi) In my estimate the allegation is well founded. The surplus of the community is neither large nor elastic—if a good slice is cut out of it by the Government—the joint stock institutions suffer in proportion.

Question 3. (i) In my opinion the Government securities are the best form of investment.

I am against the idea of the small agriculturists and investors taking up Government securities. Co-operative movement serves the purpose best.

(ii) There is no such facility of sale and purchase of these securities here, people have to do it through the brokers at Calcutta.

(iii) It is not much that is left in the hands of the producer after paying the dues of his mahajan. Something he lays by for next year's harvest and the balance he uses in meeting the necessary expenses of the year. Scarcely he is found squandering his money, for he cannot afford to do it. The agriculturists use the surplus in buying implements and cattle, the artisans in purchasing instruments and tools, etc.

(iv) They do often lend petty amounts amongst themselves for short periods and at nominal interests. In a prosperous year he sets about removing those wants that in an ordinary year he cannot, *e.g.*, building a new hut, repairing the old ones, etc. They have not imbibed the habit of making investments. Moreover, the agrarian population is so heavily in debt that he hardly has anything left after paying off his creditors even in a prosperous year. Hence they cannot amass anything like a working capital any time during his life. This is the rule and there are exceptions.

Question 4. (i) Among the more affluent classes, who have some decent surplus to invest, investment in the current account of a bank is growing to be much of a fashion. The habit is on the increase.

(ii) The effect has been the increased use of cheques.

(iii) *Vide* answer to Question 4 (i) above.

Going too far in that direction will land us into difficulties. Small payments are best made in cash.

(iv) In the mufassal at least they will tend to make the banks more popular. Moreover, it will facilitate training into the intricacies of the accounts and will thereby widen the possibilities of starting new banks.

Question 5. (i) In my opinion the growth of these habits is slower than it ought to be.

(ii) It is primarily due to the want of education and secondarily to the want of any very large surplus in the hands of the people.

(iii) Propaganda is the only way to rouse the people to the immense possibilities of this habit. As stated above the scheme of the co-operative banks, *i.e.*, the home-safe-box, is working nicely by drawing in much of the surplus of the community that would have been spent in the other ways. Preaching by example is always more effective.

(iv) That might have succeeded in stimulating the investment habit of the people of the important towns in which the branches have been opened. But I don't think their activities extend beyond the respective towns.

The British Indian Association, Calcutta.

Part 4.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. In our country, the agriculturists obtain finance principally from the village money-lenders not only for meeting the expenses for cultivation and other special needs but also for meeting the expenses of ceremonial functions. The object of the loan has nothing to do with the money-lenders; they satisfy themselves by taking sufficient securities for their investments without looking into the manner in which the loan let out to the agriculturists is spent.

In places where co-operative societies have been provided, most of the cultivators keep aloof from them for obvious reasons, viz.—

- (1) Rigour of formalities.
- (2) Publicity of loans.
- (3) Short credit.
- (4) Purpose of the loan scrutinised.
- (5) Failure to provide funds for capital and permanent improvements.
- (6) A semi-Government institution.

Moreover, the agricultural credit societies are not enough in number to cope with the needs.

The Government passed the Land Improvements Loans Act in 1883 and the Agriculturists' Loans Act in 1884 but they never became popular and as such they did not confer any appreciable benefit on the cultivators. The rates of interest charged by the professional money-lenders are extremely exorbitant. My Committee hold that it is only through the popularising of the co-operative societies that the present system of financing of cultivators can be improved considerably. The professional money-lenders in majority of cases exploit the ignorance and helplessness of the borrowers. My Committee suggest that the landlords should in hard times arrange for giving short loans at low interest for meeting the expenses of cultivation and thereby protect the raiyats from the clutches of the money-lenders.

No co-ordination whatsoever exists among the various credit agencies and there is little scope for improvement in this direction.

Question 2. A raiyat usually is to take his products to the village market and my Committee are definitely of opinion that it is impossible on the part of a raiyat to hold up his crop for a better price, because he has no other means than the sale proceeds of his crop to meet his daily expenses. And a system of co-operative marketing, my Committee hold, will go a great way in improving the position of raiyat for marketing his produce.

There are co-operative sale societies, working well in the country, such as Bengal Wholesale Society Limited, Calcutta Milk Union, Noagaon Ganja Cultivators' Co-operative Society Limited and others. They depend for their finance in most cases on their own share capital and in rare cases on loans from Provincial and Central Banks.

Paddy, jute and tobacco, principal crops of the province, pass through a number of middlemen. There are *beparis*, *paikars* and *farias* who purchase direct from the cultivator. Then come the *aruldars*.

The traders in mufassal experience great difficulty in procuring loans from local banks for their articles of export. The banks are shy at accommodating the holders of such stock because they cannot ascertain the quality and value of the articles. My Committee hold that by establishment of licensed warehouses with qualified graders attached to them, the confidence of the local banks might be inspired as to finance the trade to a certain extent to the benefit of both concerned.

The position of monopoly which the ultimate buyers of jute enjoy and the want of definite standard of quality of the fibre have greatly prejudiced the mufassal banks against undertaking the work of financing the movement of the crop. Both these factors have rendered the value of jute uncertain.

The existing facilities for internal remittance available to the public are:—

- (a) Postal and Telegraphic remittances.
- (b) Cheques.
- (c) Bank drafts (where branches of the Imperial Bank have been opened).
- (d) *Hundis* (confined among the trading community).

The most important negotiable instrument in use in this province in connection with internal trade is the *hundi*. The *hundis* in Bengal belong to either group—*Darsani* (demand drafts) and *muddati* (drawn for a fixed tenure of 2 or 3 months). My Committee would welcome the introduction of standardised forms of *hundis* on stamped paper.

As ill-luck would have it, some of the inland Steam Navigation Companies in Bengal have found that the bills of lading issued by them are not accepted as a reliable security for advance. My Committee hold that the difficulties may be removed if some measure like the licensing system for ocean-going vessels are adopted for inland river transport in Bengal.

The institution of licensed warehouses would confer great benefit on the agriculture and trade of Bengal and my Committee are convinced of its usefulness. The scrips issued by such warehouses would prove a good mode of investment and also a necessary link in the existing conditions of Indian money market. And it is necessary that the warehouses should in some way or other be associated with the Government.

Question 4. There are no legal impediments to mortgage of land and agricultural holdings in Bengal and hence the indebtedness of Bengal peasants.

The amended Bengal Tenancy Act by enhancing the value of proprietary interest of cultivating raiyats has naturally improved their credit position.

The fragmentation of agricultural holdings stands in the way of launching any ambitious scheme for their permanent improvement and thus the long term credit institution has no chance to grow.

There is only one land mortgage bank in Bengal, viz., the Co-operative Land Mortgage Bank of Naogaon. The bank does not confine itself to the provision of long term credit alone—it also gives ordinary loan by means of cash credit. My Committee are of opinion that land mortgage banks are a crying need in villages and they must be for obvious reasons organised on a co-operative basis—the capital to be entirely subscribed by the borrowers themselves and the benefit to be accrued to the borrowers only, the final supervisory authority being vested in the Government. Loans by such banks should be given at a reasonable rate of interest and the land, on the mortgage of which advances are to be made, should have a steady revenue. In case of default, the bank should not put land on auction but try to get the dues satisfied from the receipts of land by making necessary improvement and taking full management. My Committee hope that this procedure would be fair and equitable.

Question 6. There are various kinds of subsidiary industries allied or supplemental to agriculture in Bengal. Co-operative sale societies can alone financially strengthen them.

Question 6A. The small industries which are neither supplemental to nor connected with agriculture are in most cases owned by individual proprietors—few of them are on joint-stock basis. They are generally financed by proprietors—on rare occasions they get loan from joint-stock banks. They can also get loan from indigenous bankers against mortgage of some real property. The small industries are in great predicament while large organised industries such as jute mills, tea gardens and cotton mills can obtain loan from banks. My Committee draw the attention of the Banking Enquiry Committee to this matter which needs an early solution.

Question 7. It has been seen that the relations between the co-operative banks and other banks in the country are rather cordial. There are and have been occasions when the Imperial and other banks have helped the co-operative banks by lending them funds.

The time taken by a village society in procuring funds from the Central Bank is ridiculously long and it has been often a curious experience that when the loan is received the need disappears because the intervening period between the demand and supply is too long. My Committee therefore recommend the system of allowing cash credits to the village societies.

My Committee hold that the growth of co-operative movement is beneficial to the raiyats and every effort must be made to help its growth. Financial concessions, as suggested for helping the co-operative movement will always be welcome. My Committee are of opinion that there is no need of relaxing the restriction of investment of fund of co-operative societies because the co-operative societies deal with hard-earned money of the raiyats and safe and strict investment is always to be observed.

It must be admitted in all fairness that co-operative movement has given a check to the professional money-lenders; Co-operative movement is of recent origin and progress achieved is not much. Therefore, the professional money-lenders as a class still exist and thrive on the ignorance of cultivator but in time to come my Committee hope that by spreading a net work of co-operative societies among the villages, the money-lenders would be hard hit, if they have not been by this time.

My Committee hold that the following factors are responsible for retarding the spread of co-operative movement:—

- (1) Illiteracy of the people.
- (2) Want of suitable office-bearers and officers.
- (3) Absence of educative propaganda.
- (4) Lack of sympathetic attitude.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

My Committee could not gather statistical information relating to loan offices nor have they cared to ascertain the manner in which the funds of the loan offices are invested. My Committee like to point out that the loan offices are not of any help to the cultivating raiyats. They lend money to landholders on the securities of their landed property, jewelleries and other valuables. The loan offices carry on their banking business in a conservative way and their profits are really large. The loan offices, my Committee are of opinion, should have a uniform system of accounting and the method of drawing up balance sheets should be prescribed.

My Committee appreciate the object with which the Bengal Bankers' Federation has been started but fail to appreciate its usefulness without any Federal Bank. My Committee suggest that the Federation without wasting its time and energy should devote itself to the establishment of a Central Bank.

It is not possible for loan offices to take a large share in the finance of internal trade. The materials at the disposal of our Committee show that very few loan offices have branches.

My Committee are of opinion that the establishment of licensed warehouse would indirectly help the finance of agriculture for the advantage of loans against warehouse receipts and would be available to all—traders as well as agriculturists. Warehouses would thus increase the activity of loan banks.

Part II.—Indigenous Banking.

Question 1. The functions of indigenous banks are varied in character. Big Marwari banking houses of Calcutta accept deposits and undertake extensive lending operations. Loans are granted for short term against personal security through *hundis*. The Bengali bankers in Calcutta generally insist on the mortgage of some real property or deposit of title deeds to cover their loans.

Outside Calcutta, Marwari merchant bankers act as commission agents or trade on their own account—their banking function is the grant of loans against mortgage of land and valuables. The Bengali money-lenders in mufassals are there only to lend money. There are itinerant money-lenders like *Kabulis* who are also a "factor" in indigenous banking in Bengal.

Question 2. Agriculture, trade and industry are financed by indigenous bankers. Even where co-operative societies exist, agriculturists lean to indigenous bankers for loans. Small and cottage industries depend largely on the accommodation granted by indigenous bankers.

Question 3. The relation between one indigenous banker and another is not unhappy. The Imperial Bank of India and some big joint-stock banks in Calcutta are showing readiness to extend discount facilities to distinguished indigenous bankers. The co-operative societies and loan offices are naturally indifferent to indigenous bankers.

Question 5. Loans are granted by indigenous bankers against mortgage of land and valuables and occasionally against hand-notes. Loans are generally given for short periods but they can continue for a long period at a compound rate of interest. The object of the loan is immaterial and my Committee have come to the finding that unproductive loans have often landed the agriculturists into difficulty.

Question 6. The rates of interest charged by different classes of indigenous bankers are divergent—even in one place, various rates prevail. The rates are not lower than 12 per cent. but they might rise to any extent. It is difficult to bring down the rates by organisation of indigenous bankers. The loan offices and co-operative societies have greatly brought down the rates. Reduction of rates is necessary from the standpoint of cultivators. It is only co-operative movement which can help them in this direction. Unless the cultivators are organised, the indigenous bankers would always exploit them.

Question 7. In villages, there is prejudice against money-lenders whose reputation for integrity is almost nil.

Question 9. My Committee are of opinion that the indigenous bankers can be rendered more serviceable to the community if they are kept in intimate touch with the money market. The indigenous bankers in the city may be profitably organised into Trusts which will develop and finance new and large industries. The indigenous bankers in mufassal should not shirk new methods, otherwise they would meet with extinction when loan offices and credit societies will be more on the increase and more popular.

Question 10. The indigenous bankers have enough resources to meet the demands of their customers. They refuse loan proposals only where there is scanty or unacceptable security. The refusal is never due to paucity of loanable capital.

Question 12. It is not likely that any large amount of cash lies idle in the hands of mufassal money-lenders. Those who act as commission agents do not have surplus and those who trade on their own account get advances from the city bankers.

Part III.—Investment Habit and Attraction of Capital.

Question 1. The banking resources of the province, as they exist, are not at all satisfactory. The scope for attracting capital is very little. Loan offices, co-operative societies and Post Office Savings Banks are the only openings outside Calcutta which can attract surplus capital. The problem cannot be thoroughly tackled by them and necessarily the hoarding habit grows. This hoarding habit or investment in silver and gold stands in the way of national prosperity, inasmuch as the surplus capital is in no way benefiting trade and commerce of the country. Therefore, a large number of banking institutions should grow in cities and villages so that the people might

discard the hoarding habit. But the complete disappearance of hoarding habit perhaps be expected until an effective gold standard is introduced in the country. It seems the currency policy of the Government has a great deal to do with the hoarding habit in India. My Committee are of opinion that the banking mind in India can be developed by spreading banking institutions.

Question 2. Post Office Savings Bank and Postal Cash Certificates are taken advantage of by the middle-class people. My Committee are of opinion that the restrictions as to the withdrawal and maximum amount of deposit should be removed and the interest paid on deposit should also be increased. The Post Office Savings Bank Act does not permit the opening of accounts at more than one post office and this causes untold inconvenience to people and traders.

Question 3. Various types of Government stocks are issued through the Imperial Bank and post offices. In mufassals, there are no facilities for selling such stocks.

The debentures which are issued by important public institutions, viz., Corporation of Calcutta, Calcutta Improvement Trust and Calcutta Port Trust, are scarcely availed of beyond the city of Calcutta.

Very few cultivators can afford to amass money and if any of them do amass something, it is either hoarded or let out to brother cultivators.

Question 4. The use of cheques is increasing in Calcutta but is rare among the mufassalites. My Committee hold that the cheque habit should be fostered.

Question 5. My Committee endorse the finding that the banking and investment habits are on the increase but the progress is not satisfactory. The reasons are:—

- (a) illiteracy of the masses,
- (b) want of confidence in banking institutions, and
- (c) absence of banking facilities.

Propaganda work, compulsory primary education and spread of banking institutions are necessary to remove the evils of hoarding habit and improve the banking mind in the people.

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The Indian Association, Calcutta.

The Indian Association believes that the various banking institutions in the Province are:—

- (a) Imperial Bank of India.
- (b) Exchange Banks.
- (c) Co-operative Societies.
- (d) Indigenous bankers and professional money-lenders.

The Exchange Banks deal principally with the foreign trade of the province, the Imperial Bank grants facilities for internal trade, but principally to Europeans, and the co-operative credit societies,

indigenous bankers and professional money-lenders finance the agriculturists and also the internal trade of the province to a very great extent.

2. For fostering agriculture and industry, it is absolutely necessary that banking facilities should be greatly extended and the Indian Association considers that this can be done by--

- (a) wide extension of the co-operative movement,
- (b) strengthening indigenous banks,
- (c) creation of land mortgage and agricultural banks, and
- (d) large extension of industrial and other joint stock banks.

3. The Indian Association urges that the co-operative movement should be greatly extended so as to cover the whole province with a net-work of co-operative banks dealing with every activity of the agriculturist and the cottage manufacturer. Much has been done in this direction by the Co-operative Department of Bengal in the past, but more remains to be done and the Association hopes that the department will make further efforts to extend the movement.

4. There are a few indigenous and industrial banks in Bengal, but their spheres of work are very limited. What is wanted at the present moment is that they should be strengthened and more banks started on the same lines and their work greatly extended. The only way in which such banks can be strengthened and their work extended is for the Imperial Bank and the Government to help them with funds, of course, under adequate safeguards. The Imperial Bank at present extends its help principally to European concerns and to a very limited extent to Indians. The Association believes that a very large part of the working capital of the Imperial Bank is Indian, and it is unreasonable for the bank to be chary in its help to Indian concerns.

5. Another important item for the development of banking in India is the creation of land mortgage and agricultural banks which might help the agriculturist and the landowner to save themselves from the clutches of the money-lenders. The Association believes that under proper safeguards such banks can be made successful and they may in their turn serve to increase the industrial wealth of the province.

6. The question of resources for the purpose of carrying out the above suggestions will form the subject of further consideration and the Association will in due time forward its suggestions thereon to the Central Committee. Here, it may be mentioned, that Government may help in the matter by carrying on a propaganda for the development of the banking habit among the people. By guaranteeing the initial land mortgage and agricultural banks and some of the Industrial Banks, Government may help in creating that trust on the part of the public without which no bank can be successful in developing the banking habit among the inhabitants of the province.

7. The indigenous bankers and professional money-lenders are the main sources for the supply of funds to the agriculturist and the merchants for internal trade. They do not attract much deposit from the public, but lend out from their own resources. If they can be taught to organise themselves into joint-stock banks, their resources will be strengthened and at the same time they would be able to

generate that feeling of trust which is essential for the deposit of the savings of the middle-class investor.

8. The Indian Association does not want to attempt answers to all the questions; only such questions as appear to be important and within the knowledge of the Association are therefore answered in the subjoined memorandum.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—Rice and jute are the most important agricultural products of the Province of Bengal, and, also, to some extent, tea. Tea industry is generally financed by joint-stock and private money-lenders. Rice and jute are mainly financed by the indigenous bankers and professional money-lenders, and to a limited extent, by co-operative societies. The rates of interest vary from 6 to 37½ per cent. or more. As there is little or no co-ordination among the various credit agencies, the support given to the industries is not organised. The cultivator is generally at the mercy of the money-lender, to whom he either sells his produce in advance or mortgages his land or stock. He is unable, therefore, to get the best value for his produce, as he cannot wait for a rise in the price-market. The remedy for this state of things lies, in the opinion of the Indian Association, in organising the cultivators on a co-operative basis and providing proper market facilities for their produce. The Imperial Bank, which is the backbone of the banking system of the country, and the joint-stock banks finance specially those European merchants who are engaged in the movement of jute from the cultivator to the mills or shippers. But Indians, who are engaged in this business, have to depend mostly on their own resources and on indigenous bankers. A change in the management of the Imperial Bank is urgently required to remedy this state of things.

Question 2.—The want of proper markets for their produce is a great hindrance to the cultivators. Jute and rice are principally collected by the middlemen in the mufassal from the producers and taken to Calcutta, where there are no proper markets or warehouses. Want of definite standards of weight and quality for jute is another reason for the producer not getting the full value for his produce, as the quality is often fixed arbitrarily by the mills. The remedy lies in establishing proper markets at suitable centres all over the province on the lines of the Berar cotton markets. Weights and measures should be standardised and definite standards of quality for jute should be fixed. A proper market should also be established in Calcutta and the cultivators should be informed about the state of the market, viz., supply and demand, and the fluctuations in price. Warehouses should be provided at the markets for the storing of the produce. Co-operative sale societies should also be organised.

Internal remittances are generally effected by hundis, money orders, postal insurance, cheques and bank drafts. Cheques and bank drafts are used mainly in the larger towns, but the other methods of remittance are used all over the province. The Association believes that the abolition of stamp duty on bills and the introduction of standardised forms will greatly facilitate their use. Railway receipts and bills of lading would come into more general use by the establishment of licensed warehouses.

Question 3.—The value of land per acre varies from place to place in the province. Within the last thirty or forty years it has gone up everywhere and agricultural land fetches now as much as a thousand rupees per acre or more in private sales. Government or Court auction is often influenced by extraneous factors and cannot be used as a proper standard for land value in the province.

Question 4.—Land Mortgage and Agricultural Banks do not exist in this province. Such banks ought to be established as early as possible. The initial capital may be raised by share and debenture capital, guaranteed by Government for a period of time. In course of time they should become self-supporting institutions. Government may safeguard itself against loss by having a director on the board of each guaranteed bank and enforcing rigorous audit and publication of accounts. Debentures of such banks, if included among trustee securities, will attract investment and become popular. In order to be helpful to agriculturist the rate of interest charged by such banks should not be excessive and the repayment may be made by amortisation.

Question 5.—The Association has no information at its disposal regarding the total indebtedness of the agricultural classes. It is necessary that an enquiry on this subject should be carried out independently by an agency appointed by Government.

Question 6.—Besides agriculture, there are a number of small industries carried on in Bengal, such as hand-spinning, hand-loom weaving, gur-making, etc. If organised on a co-operative basis, these industries are calculated to give employment to the farmer during the off-season and thus augment his income. Co-operative societies may furnish the capital for such industries and the Department of Industries may help in the organisation by teaching improved methods of working demonstration and other means.

Question 6A.—Small industries which are neither supplemental to nor connected with agriculture are generally financed by indigenous bankers and money-lenders. Financial facilities for such industries may be provided by the establishment of industrial banks. The establishment of such banks will also help greatly in the remittance of money from point to point by drafts and cheques.

Question 6B.—People who are not agriculturists generally obtain loans by pawning jewellery, notes of hand, or current account or credit with the shop-keepers. Such loans are incurred in cases of sickness, during periods of unemployment or to provide for marriage expenses of a daughter, etc. It is not possible to state whether the indebtedness of such classes is increasing or decreasing. Certain classes of people incur debts from Kabulis whose methods are often inhuman and their rates of interest exorbitant. The Association urges that the activities of the Kabulis should be suppressed by law.

Question 7.—The co-operative banks in Bengal have dealings with the Bengal Provincial Co-operative Bank, which has an account with the Imperial Bank. The Association is not aware of any competition between the co-operative banks and the joint-stock banks or the Imperial Bank; but some loan offices may have been affected to a small extent by the co-operative banks. The debentures issued by the provincial co-operative banks should be placed in the list of trustee securities to attract investors.

Question 7A.—The co-operative central banks can, without interfering with the existing methods, help in the remittance of money from place to place by drafts and cheques on co-operative societies and other banks. This will popularise the use of drafts and cheques.

Question 7B.—The establishment of co-operative societies has not affected the prevailing rates of interest in rural areas to any marked extent. The ignorance and poverty of the people stand in the way of the rapid spread of such societies in rural areas.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—There are some loan offices and joint-stock banks in Bengal, of which the Faridpur Loan Office, and the banks in Jalpaiguri may be taken as examples.

Question 6.—These banks lend money to agriculturists to a very limited extent on the security of their land. Their rates of interest are generally lower than those of professional money-lenders. The Jalpaiguri banks finance the tea industry carried on by Indians.

Question 12.—Some bank failures have occurred in Bengal, of which the failure of the Alliance Bank and of the Bengal National Bank may be cited as instances. These failures were due to speculation and mismanagement.

Part II.—Indigenous Banking.

Question 8.—It is possible to combine two or more indigenous bankers in any one locality so as to constitute them into a joint-stock bank. Such a bank would attract deposits better than the individual banker or money-lender and it would be in a stronger position.

Question 11.—If banks, as suggested in the answer to question 8, be established at numerous centres in the mufassal, a branch of a joint-stock bank established at the headquarters of a district, would be in touch with them and would be able to utilise their local knowledge and help them with funds. There would thus be no competition among them, but helpful co-ordination.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—The Association believes that the so-called habit of Indians to hoard silver and gold is a myth. The people are generally poor, and there is little or no saving. The Association is strongly of opinion that gold currency should be introduced as early as possible in order to stabilise exchange and to decrease any little habit of hoarding the precious metal that may be in existence.

Question 2.—Postal Cash Certificates are popular and their rates of interest are attractive.

Question 4.—The cheque habit is slowly growing and the abolition of the stamp duty is helping the growth. It is generally the educated and the rich that use cheques. To popularise cheques, the

Association suggests that Imperial Bank and the exchange and joint stock banks should use the vernaculars of the province in their cheque forms. The Association is in favour of payments above Rs. 100 being made in cheques.

Question 5.—To foster the banking and investment habit in India, Government should carry on an educative propaganda by means of pamphlets printed in vernaculars and circulated widely.

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Mr. M. N. Chose, M.C.E. (Jap.), M.R.A.S. (London), Director and Expert, Jessore Comb Factory, Ltd., Managing Agent, Oriental Machinery Supplying Agency, Ltd., etc.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) Private money-lenders generally advance short loans on comparatively higher rates of interest to agriculturists on their signing the names or giving finger-prints on a stamped account kept with the former. This applies to parts where no co-operative credit societies exist.

(b) The agriculturists have to secure the loans by mortgaging properties to the satisfaction of the money-lenders, either private individuals or loan offices.

(c) By either of the above ways.

(ii) Rates of interest vary from Rs. 1 to Rs. 3-2 per cent. per month and generally the period of loans is fixed for one year. Private money-lenders do not accept standing crops as security. They take lands or holdings as such.

Question 2.—(i) The raiyat cannot generally hold his crops for better price as he is pressed for repayments of debts either by the money-lenders or dealers advancing small sums against crops fixing a cheaper standard price for them.

(vi) (a) and (b) Both in internal import and export trade, private bankers advance money to the traders on interest or taking a small percentage of the profit. Bank or loan offices do not generally interest themselves in such trade.

(vi) (a) If the firms or companies advance necessary sums to the agriculturists at reasonable rates of interest, say at 2 per cent. above the bank rate of interest, and buy the products at the ruling market rates then better return to growers will be assured and they will be encouraged in their pursuit.

(viii) internal remittance is done by faithful gomostas and peons or postal insurances.

(ix) The system of sending money per bearer is unsafe and should be replaced by introduction of hundies whenever possible.

(xii) Hundies are not generally known in our part.

(xvii) Railway and steamer receipts, or insurance policy, if goods are booked by country boats.

(xviii) No, if the bills of lading are insured.

Question 3.—(i) No standard value for land can be fixed in our district (Jessore). The southern part of the district is mostly depopulated by malaria and there is no demand for land. In certain areas lands can be had without any price if some enhancement of rent is allowed. In the northern part where there are agriculturists and other people still residing in fair number the value of land varies from Rs. 300 to Rs. 400 per acre for cultivable lands. The value of land suitable for growing jute fetches somewhat higher prices but not much.

(ii) (a), (b) and (c) The standard price is only obtained by private negotiation. Court decree and auction sale bring in much lower value.

Question 4.—(i) No.

(ii) Credit of the agriculturists has been augmented by the amended Bengal Tenancy Act.

(iv) No.

Question 5.—(vi) Increasing.

(ix) The Kabulis advance money at an interest varying from one anna to two annas in the rupee per month and realise their dues with the help of lathis.

(xiv) Government Agricultural Department should have seed stores at such centres as hats and give loan of good and reliable seeds returnable with 5 to 10 per cent. profit.

(xv) Paddy rates of interest vary from 25 per cent. to 50 per cent.

(xvii) Yes.

(xviii) Yes.

Question 6.—(i) At present there are no organised agricultural or allied industries in the district, although about 20 years back there were many dairy farms, gur-making houses, sugar refineries and hand weavings. Rice-milling, which used to be done in each house, has been practically stopped for ill-health of the people.

(ii) If the industries be protected against foul competition and proper markets be obtained for sale of the outturn at a reasonable profit, several local industries can be revived even now.

(iii) Farmers used to spin jute fibres and make ropes therefrom during their leisure hours. They have to give this up for hard competition with machine-made ropes. At present the farmers and the idle section of the village population (which counts about 95 per cent. if not more) can earn something if they take to spinning fibres, e.g., date, cocoanut, betelnut and palm fibres and make ropes therefrom.

(ix) Government or co-operative societies may advance necessary working capital against hypothecation of machinery and other assets.

(v) Hand power German machinery, which could be supplied by the Oriental Machinery Supplying Agency, Ltd., 20, Lal Bazar Street, Calcutta.

Question 8.—(i) Mostly private individuals finance the industries on their own account and in some cases private or public companies are floated for the required capital.

(ii) Providing the required capital at low rate of interest and advancing certain percentage against produced goods till they are marketed. Facilities for disposal of outturns at a profit should be given. This can be done by having central stores for country-made goods at Calcutta and other centres from where distribution can be made to the dealers.

Question 6B.—(i) People other than farmers get loan on hand notes or providing security for the money advanced from private money-lenders. Middle class people can get loan from local loan offices also on the above terms.

(ii) Fishermen borrow money for meeting their personal and family expenses during their absence from home. They often go out on professional call to different parts of the country, when they do not get sufficient fish in their own places. They generally pay interest at two pice per rupee per month. Service-holders and middle class people can get money at interest varying from Re. 1-4 to Rs. 3 per 100 per month.

(iv) On the increase.

Question 7.—(iv) No.

Question 7A.—(i) Yes.

Question 7B.—(i) Although the co-operative credit societies grant loans at lower rates of interest, agriculturists in general cannot get the benefit and hence the prevailing rates of interest demanded by money-lenders have not been in the least affected.

(iii) Want of education and confidence in one another, fear of Government intervention, individual liability for others.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1.—(a) (i) Jessore Loan Co., Ltd., (2) Jessore United Bank, Ltd., and (3) Jessore Banking and Trading Co., Ltd.

(b) (1) Narail Loan Co., Ltd., and (2) Jhenidah Loan Co., Ltd.

Question 2.—(c), (d) and (e) Rates of interest on short and long-terms in all the loan offices are almost the same.

Question 3.—(i) 4, 5 and 6 per cent. on deposits with 7 days', 3 months' and 1 year's notices, respectively.

(ii) Generally one year.

Question 4.—(b) More than half of the funds available.

(c) Very rarely any advances are made to industrial concerns.

(f) Rarely any business is done in this line.

Question 5.—(iii) No.

(iv) Yes, not generally until the account becomes barred by limitation.

Question 6.—(i) Yes, on providing proper securities.

Question 7.—(i) Generally not.

(ii) (1) Office bearers being generally honorary have no time and (2) want of experienced hands to manage the business.

Question 8.—(ii) Rates of dividend paid by the various loan offices vary from 6 per cent. to 10 per cent.

Question 10.—All the mufassal banks including the ones existing in Calcutta should be federated into a central banking institution in Calcutta.

Question 11.—By opening cash credit accounts and introducing cheque system.

Question 12.—No.

Part II.—Indigenous Banking.

Question 1.—Private bankers or money-lenders advance loans to almost all classes of people for all purposes with or without security at various rates of interest.

Question 2.—As the local money-lenders are easily approachable and there are less trouble in procuring money from them, they are of much help to all sections of people.

Question 4.—System of hundi is not prevalent.

Question 5.—(ii) Generally no deposits are made or kept.

(iv) No.

Question 6.—(i) Agriculturists have to pay interest at the rates varying from one to two pice in the rupee per month. The interest in kind varies from 25 to 50 per cent.

(iii) Certainly.

Question 7.—(i) No.

(ii) Yes.

(iv) Yes.

Question 10.—Private bankers cannot generally meet all the demands. They are obliged to refuse accommodation both for unacceptable nature of security and insufficiency of capital.

Question 12.—(i) No.

(ii) No.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(iii) Post Office Savings Banks, Loan Offices and co-operative banks deposits.

(iv) Interior people do not have the facilities.

Question 2.—(i) No.

(iii) No, as the interest is poor and there are no Savings Banks in the interior.

(iv) Middle class people.

117.

**Mr. B. Maitra, M.Sc., Partner of Messrs. Sen, Das, Maitra & Co.,
Managing Agents of the Calcutta Chemical Company, Ltd.**

(NOTE.—The Calcutta Chemical Co., Ltd., is a public limited liability Company and the answers given below are what are experienced by such concerns only.)

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 6A.—(i) The question of raising capital by raising shares is out of question now-a-days. The only possible way of finance is by raising loans on the personal guarantee of the managing agents or managing directors.

No loan is possible against block assets of a company now-a-days.

There are only one or two indigenous Bengali banks in Calcutta who sometimes lend money against bills of the Government institutions, railways, etc., at 12 per cent. interest per annum plus 1 per cent. commission, which comes to about 18 to 24 per cent. per annum. But even at that high rate of interest they cannot always make advances owing to the limited funds at their disposal. Short-term hundies drawn and accepted by the members of the management in their personal capacity are sometimes discounted by one or two indigenous Bengalee banks or by some Marwaris at a rate of interest between 18 to 36 per cent. per annum. Money is scarce even for such transactions.

The main source of the loans is from the personal relations or friends of the individual members given to them as a matter of favour and not from any business stand point.

The system of advancing money against goods by any bank is unknown to us. No facility whatsoever is extended to us by any non-Bengalee bank, whether Indian or non-Indian, although we are forced to do almost all our banking business with them.

The difficulty of raising short-time loans at the time of their need seriously hamper their business. Goods of Indian manufacture are sold at 3 months' credit on the average. The price of the imported raw materials have to be paid in advance and the indigenous raw materials at an average of 1 month sight. Extension of business is never possible unless the company has a good reserve to fall back upon. When needs are pressing the company sells goods at a loss just to tide over present difficulties and without any thought of future.

(ii) Co-operative credit banks or banks with State assistance can finance industries in the following manner:—

(1) By discounting bills of recognised parties.

(2) By allowing overdrafts:—

(a) against goods which the manufacturer needs for his own use, both imported and purchased locally;

(b) against goods manufactured.

Goods in above cases may be kept in possession of the bank's godown and legitimate rents may be charged. Facilities for part deliveries may be extended.

(3) By allowing loans against block assets of the Company, such as machinery, land buildings, etc.

(4) By helping industrial firms to buy machinery by making advances and recovering the same by monthly instalments.

Investments like the above, if done with prudence, cannot be bad from the point of view of the capitalists. The chief difficulties that stand in their way are—

- (1) lack of proper knowledge of the valuation of the goods;
- (2) the partiality shown by bank officials to their friend constituents and naturally to overvalue their stocks, etc.;
- (3) in some cases, their utter unscrupulousness.

It is possible that in the beginning of such a venture there will be losses. Government might make the same up from their revenues during the first few years.

118.

Mr. S. M. Bose, B.A. (Stanford), M.Sc. (Calif. U. S. A.), Chemical Engineer, Proprietor, "Bengal Waterproof Works."

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 6A.—(i) (a) In the case of small industries whether a private or a Joint Stock Company, it is my experience that practically no loan is available against the assets like machineries and buildings. In the case of Joint Stock Companies the requirement of fixed capital is met from what capital can be raised by selling of shares or advances by the management. In most cases, greater part of the capital thus raised is locked up in machineries and buildings and little is left for working capital and hence difficulties arise even in the early stages of a business. This also applies to private concerns in some cases, but they are more careful owing to limited capital at their command and only invest a small portion of their capital in machinery and building and keep a fair portion for working capital, which, however, soon becomes inadequate with increase of business. Private concerns on the other hand suffer for want of adequate machineries and buildings as soon as they build up a certain amount of business, and cannot make further progress.

(b) Small industries suffer most for the inadequacy of their circulating capital. Urgent demand for such finance is met as follows:—

(1) In very rare cases some indigenous banks advance money for short periods against bills on Government, and other well recognised business firms or organizations like Railways, etc., at an interest rate of 1 per cent. per mensem plus 1 per cent. commission which comes to about 18 per cent. to 25 per cent. interest per annum.

(2) Money is also raised against hundis drawn by the management or proprietors in their personal capacity at a rate of interest varying from 15 per cent. to 36 per cent. per annum. But this even is not easily available and such transactions are completed after much worry and trouble.

(3) The management or proprietors also borrow money by mortgaging their personal properties or Insurance policies and advance the same to the business. The rate of interest varies from 10 per cent. to 18 per cent.

(4) The management or proprietors of small industries also try to borrow money from their personal friends and relations, which is advanced to them as a matter of favour, but such advances are always insignificant in amount.

To sum up, small industries are in a chronic state of starvation for want of working capital. They get very little financial facilities from outside and practically none from banks. This forces them sometimes to sell off their goods at a loss or to stop manufacturing even at a time when there are pressing orders. On many occasions they are obliged to give up big orders for want of finance.

(ii) For providing better financial facilities for small industries, I beg to make the following suggestions :—

(1) Some banks should be established which would advance money against (a) bills for goods supplied, (b) stock of materials used in process of manufacture, purchased locally or imported and (c) stock manufactured goods, at a reasonable rate of interest, which should not be 2 per cent. over the current bank rate.

Such stock as above might be kept in possession of banks in their own warehouses at a reasonable rate of rent and there should be facilities for part deliveries against part payment.

(2) Government after proper scrutiny might assist some industries to purchase machineries on hire-purchase system.

(3) I would also suggest Government aid to small industries as follows :—

(a) After proper scrutiny, loans may be given by Government in small sums of Rs. 1,000 to Rs. 2,500 in a year at a reasonable rate of interest, the loan to be repaid with interest within that year. Such loans are to be continued only on the condition that repayment with interest is made regularly within the stipulated time. I know that the scheme for State aid to industries in United Provinces and Madras has not worked satisfactorily and the reason seems to me to be that large sums amounting to even a lakh and more were given as loans to industries whose possibilities were doubtful and also without proper scrutiny. Loans should be given in smaller sums and for periods of one year only.

(b) Loans may also be given by Government to small industries for periods of six months against bona fide Government or other orders, at a suitable rate of interest.

119.

**Mr. Sudhanya Kumar Roy, Merchant, Commission Agent and Broker,
Domar (Rangpur).**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) (b) (c) The agriculturist obtains finance for his various needs from village mahajans and wealthy *jotedars* (tenure-holders) by borrowing on interest.

(ii) The rate of interest varies from 18 to 56½ per cent. per annum. No definite periods for repaying loans are practically

observed, though it may be stipulated in loan bonds. Loans are advanced sometimes on simple bonds and sometimes on tight security. Loan against standing crops are not prevalent on this side. About 60 per cent. of such loans are secured while the rest are unsecured.

(iii) Co-operative credit societies advance loans mostly to such cultivators who possess land of their own direct under zamindars. Professional money-lenders advance loans to all grades of cultivators according to their status and credit in the locality. Merchants hardly advance any money direct to real agriculturists but only to their recognised *paikars* and *beparis*. Mufassal loan offices and joint-stock banks occasionally advance loans to small agriculturists at $37\frac{1}{2}$ to $56\frac{1}{2}$ per cent. per annum for sums not exceeding Rs. 100 mostly against tight securities.

(iv) No.

(v) The main defects are the high rates of interest charged by wealthy *jotedars* which stand in the way of fully repaying loans. Thus principal and interest accumulate to a pretty large amount which the agriculturist in general cannot repay. Consequently the property mortgaged is sold by auction by Civil Court and generally passes on to the creditor. In case of failure in repayment of unsecured loans advanced on simple bonds, the creditor gets a Civil Court decree and attaches the standing crop of the debtor. There are occasions when shrewd and wealthy *jotedars* purposely advance money to certain agriculturists on rather easy terms and allow the principal and interest to accumulate to pretty large sums in order to secure from the debtor certain choice and fertile plots of land in repayment of the loans.

Under above circumstances small agriculturists possessing land direct under zamindars gradually turn into *bargadars* under *jotedars* and often flock to the towns as day-labourers.

Remedy lies in the fixation of a fair and maximum rate of interest for each individual district or division, introduction of easy instalment system of repayment and establishment of a large number of co-operative credit societies with limited liabilities in all villages.

(vi) No; and no improvement is possible unless there be co-ordination.

Question 2. (i) Principal crops are sold by the raiyats in their own home to *farias*.

Raiyats are generally unable to hold up their crop for a better price for the following reasons:—

(a) Owing to their demand for ready money for repayment of previous loans and payment of rent of land and taxes.

(b) To meet portions of expenses for maintaining the family.

(c) For want of proper storing accommodation.

(ii) Raiyats often find it profitable to sell their commodities at their own home instead of bringing them to the market by themselves because their honest dealings and unadulterated articles offered by them do not fetch proper prices in the open market while cunning *farias* can make money by various underhand means while disposing of the goods bought from the raiyats.

(iii) No.

(iv) Raiyats almost often get ready cash for their commodities sold to *farias*.

(v) There are equal facilities.

(vi) In export trade banks and bankers lend out finance to respectable and recognised merchants who in their turn advance money to their recognised dealers in the *mokams* (in some cases through local brokers and *aratdars*), and these dealers buy the commodities in the interior *hats* from the *farias*.

In case of import trade the consumer in villages gets the article from the local merchants who use to import goods generally from the nearest big trade-centre and in some cases direct from some big dealers in Calcutta or other producing centre in India.

(vi-a) Banks and bankers charge interest for the money they lend out to the merchants, while the merchants in advancing money to their dealers in *mokams* do not directly charge any interest for such amounts. Of course, while buying the commodities the merchants include interest on their capital in their pro forma charges and offer prices accordingly to their dealers. Hence the cultivators indirectly pay the bank's or bankers' interest on the merchants' capital in accepting the prices they receive from the *farias* who in their turn accept the prices given by the dealers. In this connection we should not lose sight of the fact that *farias* while buying goods from the raiyats calculate their margin of profit on the percentages of adulteration they will be able to pass and which will cover their pro forma charges. Thus raiyats in a way receive better prices from *farias* than by selling their commodities direct to merchants.

(vi-b) Yes. Growers and small dealers of agricultural produce have got no organisations and associations for controlling and restricting their stocks from being dumped on the market, whereas manufacturers and exporters of same have got powerful organisations and associations to that effect. They do restrict the excessive production of manufacture goods on the one hand and control the prices of raw materials on the other hand. The growers are entirely at the mercy of these people as stated above [vide 2 (i)].

In my opinion regular growers' associations should be started in every village, which should have double functions, viz., to supply better seeds and manures as well as to restrict excessive cultivation of any particular crop any year.

(2) To start a central committee with its branches in every village where cultivators may bring their produce and get some money on the cash credit system to meet their urgent needs. These organisations should hold firm the jute in their own stores instead of offering them in the open market. This procedure will compel the manufacturers to buy the raw materials at reasonably better prices and ensure better return to the producer than he would have got had he allowed his goods to be dumped on the open market by selling them to *farias*. When these goods are sold the central committee should pay the balance of prices to cultivators after deducting all sorts of expenses for maintaining the organisation.

(vii) Persons engaged in the movement of jute crop do not often get full banking facilities because financiers hesitate to advance money freely to those traders as violent fluctuations often take place in the

prices of jutes due to speculators' predominance in this market and manufacturers' organised control over prices.

(viii) Internal remittances are generally through Postal Insurance, up-country branches of the Imperial Bank of India where such branches exist and through merchants' own men from Calcutta.

(ix) Principal defects of the present system are—

- (1) Branches of the Imperial Bank of India have not been opened even in many of the district towns of the Province, hence traders do not often get much advantages from these banks.
- (2) The rate of exchange of the Imperial Banks on demand drafts and of Postal Insurance are $\frac{1}{8}$ th per cent. which is rather high.

Co-operative central banks have been opened not only in every district town but also in most of the subdivisional head-quarters. If these institutions take up this sort of banking with a minimum charge of 1/16th per cent. for demand drafts, traders will get more advantages than at present and these banks also will become more popular and will be financially benefited too as they will get ample work and quick turnover of their working capitals.

(x) In up-country trade centre transactions on Negotiable Instruments Act are very few.

(xi) Yes, usance bills (commonly known as sight drafts) should be free of stamp duty like demand drafts and bank cheques.

(xii) Demand drafts in general and in some cases sight drafts are in use in this district. Discount on demand drafts are naturally much less than that on sight drafts.

(xiii) No.

(xiv) *Hundis* are often discounted in provincial centres. They are seldom held by middlemen, etc.

(xv) There is no system of rediscounting *hundis* in this district.

(xvi) Occasionally railway receipts are sent to and from Calcutta through Imperial Bank of India and indigenous bankers.

(xvii) Import and export trade of this particular district are only through railways. But in some parts of the country banks do not finance against bill of lading issued by an Indian-owned inland steamship company. Steps should be taken as early as possible to remove all such racial distinctions in commercial enterprises.

Question 3. (i) Lands are here broadly classified into three divisions—

- (a) Lowland—generally cultivated for jute and paddy—average value per acre about Rs. 600.
- (b) Midland—generally cultivated with jute and paddy—average value per acre Rs. 400.
- (c) Highland—cultivated for jute, paddy, ginger, sugercane, etc.—average value per acre Rs. 200.

Small plots of richly fertile land adjoining one's dwelling premises are generally used for tobacco cultivation—average value of such plots are about Rs. 1,000 per acre.

(ii) According to fertility, productivity and site. Values of lands given above in 3 (i) are approximate prices which may be fetched by private negotiations. Lands sold by Government auction for non-payment of rents fetch much less because zamindars often secure such lands for the actual amounts due as rent. Lands sold by Court decrees fetch about 50 per cent. less than the values received in sales by private negotiations.

Question 4. (iv) Professional money-lenders, loan offices and joint-stock banks often advance money on long term credits against mortgage of agricultural lands.

(v) Loan offices and joint-stock banks raise their capital by floating shares in the public and by taking deposits on long term credit. Professional money-lenders have got their own resources of cash money.

Question 5. (ii) Such information can be secured only by a door-to-door enquiry by the supervisors of Co-operative Central Banks.

(v) The creditors are mostly joint-stock banks (loan offices and professional money-lenders).

(vi) Is increasing.

(ix) Their number is fast decreasing.

(x) Numerous concrete cases may be cited, e.g., acquisition of lands, zamindari and small *jotes* by the Rangpur Loan Office Limited and other such banks of the district.

(xiii) Yes, in some cases.

(xiv) By starting central stores in each village on the lines of the *dharma-golas* of old.

(xv) 50 to 100 per cent. on paddy loans.

(xvi) Paddy is lent on the condition that it will be repaid together with interest at the next paddy crop. Both should be paid in paddy and not in cash.

(xvii) Yes.

(xviii) Yes.

Question 6. (i) Gur-making in certain particular villages only. There is another cottage industry in this subdivision and in the Sadar subdivision of Dinajpur district—of hand-spinning and hand-weaving of jute-mats.

(ii) This jute-mat weaving industry can be much improved and the spinners and weavers who are the generally wives, sisters and daughters of the cultivators, can get a better return for their manufactured goods if these things are collected and disposed of by the formation of industrial societies in such villages. I tried to open industrial societies of the jute-mats on the lines of co-operative sale and supply society but owing to my prolonged absence from Domar it did not fructify.

(iii) In Rangpur district cultivators practically do not have any off-season.

Question 6B. (i) From professional money-lenders and loan offices in adjoining towns.

(ii) They generally borrow for marriages and other social functions, for repaying old debts, building homesteads and for buying

lands, etc. Rate of interest from 18 to 56½ per cent. per annum. No distinction is observed in rates of interest on secured and unsecured loans.

(iii) Co-operative societies are doing some amount of real service for the betterment of agriculturist by extending credit facilities, but people generally shrink from joining the co-operative societies because of unlimited liability of such societies. Joint-stock banks and loan offices are indirectly ruining the agriculturists and *jotedars* by financing money rather freely at high rates of interest which increases the indebtedness of cultivators and *jotedars*. Though Indigenous bankers finance cultivators at high rates of interest, they often give up some portions of interest at the time of repayment of the full amount while loan offices and joint-stock banks rarely allow any such discounts.

[Vide reply to question 1 (v) last paragraph.]

(iv) Increasing.

Question 7. (vi) In addition to special concessions already granted to the co-operative societies the following procedure for realising debts from borrowers should be authorised by Government and embodied in the Co-operative Societies Act, viz., there should be framed Arbitration Boards composed of local non-official respectable gentlemen in every thana who should settle all disputes between the co-operative societies and its debtors with regard to realisation of debts and their decision will be final. This will save much unnecessary and expensive litigation for realisation of debts and will also expedite works of the co-operative societies.

Question 7A. (i) If a large number of co-operative societies with limited liability instead of with unlimited liability be started in every village, then all sorts of people—not only cultivators alone—will get facilities for borrowing money from such societies instead of borrowing from joint-stock banks and loan offices at high interest. Hence there will not arise any necessity for the central banks to advance loans to individuals.

Issuing of over draft loans against deposits of persons should be introduced in co-operative societies and central banks.

(ii) If numerous co-operative societies with limited liability be started as suggested above, there will not be any necessity for extending the scope for investment of funds, because automatically all cultivators will borrow from and deposit in such societies without any hesitation.

(iii) No; because purposes of loan offices and joint-stock banks are to secure for themselves large profits, hence these bodies will naturally try to secure deposits from central banks at the minimum interest—at times even at without interest. Such facts are to my personal knowledge when I was a Director of The Nilphamari Co-operative Central Bank. I am therefore of opinion that there should be no co-operation between the central banks and loan offices.

(iv) Relation between two bodies are not cordial because joint-stock banks and loan offices do not like the spread of co-operative central banks and its societies in the country.

(v) Under present circumstances, there do not arise any necessity for transferring money from one place to another. But with the development of works stated above, transmitting money by central banks

through treasury and sub-treasury will be possible. Close relations between central banks and Government treasury are much desirable.

Question 7B. (i) Rate of interest has come down to a limited extent only to those people who has been bold enough to become members of the co-operative credit societies with unlimited liability. If these societies were of limited liability they would have become more popular to the villagers and full advantages of these beneficial institutions would have been enjoyed by one and all, and rates of interest charged by loan offices and joint-stock banks and professional money-lenders too would have considerably come down.

(ii) Of course, the introduction of co-operative societies has reduced the number of professional money-lenders to small extent, but not much as this movement has not yet attained full development. With the reduction in their business caused by the introduction of co-operative societies the professional money-lenders are investing their surplus money in shares and deposits of joint-stock banks and loan offices. Therefore, joint-stock banks and loan offices are more or less instruments in the hands of the professional money-lenders.

(iii) Ignorance of the people; lack of efficient management; want of sympathetic treatment by heads of the Co-operative Department; too much unnecessary interference and meddling by self-sufficient and tactless officers of the Co-operative Department. Rather well-to-do raiyats and service-holders with liberal education are often afraid of joining co-operative societies with unlimited liability.

Part IA.—Loan Offices and Joint-Stock Banks in the Mufassal.

Question 1. (a) (b) (c) *Rangpur Sadar subdivision.*—Alamnagar Bank Limited, Swadeshi Bhandar Limited, Bamandanga Loan Office Limited, Rangpur Federal Bank Limited, Rangpur Central Bank Limited, The Bengal Live-stock Limited, Munshipara Banking and Trading Limited, Rangpur Mahalaksmi Bank Limited, Rangpur City Bank Limited, Eureka Stores and Banking Limited, Krishak Shamabaya Company Limited, Baherbanda Jotedars Bank Limited, Rangpur Mahajan Bank Limited, Rangpur Trading Company Limited, Rangpur Kamala Bank Limited, Alamnagar Union Loan Office Limited, Rangpur Commercial Bank Limited, Rangpur Rayat Bank Ltd., Rangpur Deshi Dokan Limited, The North Bengal Bank Limited, Rangpur Loan Office Limited, Kaliganj Loan Office Limited, Tushvandar Loan Office Limited, Nawabganj Town Bank Limited, Rangpur Bank Limited, Baishya Shutraddhar Banking and Trading Limited, Kashtriya Bank Limited, Rangpur Clerks' Trading and Banking Company, Limited, Pirganj Loan Office Limited, Lakmopur Benami Trading Company, Limited, Town Bank Limited, National Bank Limited, Kakina Loan Office Limited, Badarganj Union Bank Limited, Badarganj Bank Limited, Badarganj Loan Office Limited, Govindapur Roy Choudhury Bank Limited. In all 36 loan offices and joint-stock banks in the Rangpur Sadar subdivision.

Nilphamari subdivision.—Nilphamari Commercial Bank Limited, Nilphamari Mahajan Bank Limited, Kamala Bank Limited, Nilphamari Loan Office Limited, Kaniakhata Bank Limited, Nilphamari Banking and Trading Company, Limited, Nilphamari Lakshmi Bank Limited, Nilphamari Krishi Shamity Limited. The above eight Banks are in the head-quarter, the following are in the mafassal:—Ananda Vandar Limited, Saidpur Commercial Bank Limited are in Saidpur;

Domar Loan Office Limited, Jagatlakshmi Banking and Trading Company, Limited, are at Domar; a branch office of the Kshatriya Bank Limited of Rangpur. has been opened at Dimla, a village six miles off from Domar. Golna Proshanna Bank Limited. Altogether 14 banks and loan offices in the Nilphamari subdivision.

Gaibanda subdivision.—Gaibanda Lakshmi Loan Corporation Limited, Naldanga Bank Limited, The Gaibanda United Bank Limited, The Gaibanda Mahajan Bank Limited, Gaibanda Bank Limited, Bonarpara Bank Limited, Belva Loan Office Limited, Gaibanda Loan Office Limited, Gaibanda City Bank Limited, Kaniapara Bank Limited, Mohimaganj Loan Office Limited, Pargacha Loan Office Limited, Etakumari Loan Office Limited. Altogether 13 banks and loan offices in this subdivision.

Kurigram subdivision.—Kurigram Loan Office Limited, Kurigram Model Company Limited, New Trading and Banking Corporation Limited, Lalmanirhat Union Bank Limited, Kurigram Trading and Loan Office Limited, Mogalhat Loan Office Limited. Altogether 6 banks and loan offices in this subdivision.

Totally 69 loan offices and joint-stock banks are in existence in the Rangpur district.

Question 3. (i) Current account 3 to $3\frac{1}{2}$ per cent., 6 months' notice 5 to 6 per cent., one year's notice deposit 6 to $7\frac{1}{2}$ per cent., 2 year's notice deposit $7\frac{1}{2}$ to $8\frac{1}{2}$ per cent., 3 years' notice deposit $8\frac{1}{2}$ to 9 per cent., 5 years' notice deposit 9 to 10 per cent. Special current deposit for very short period 12 to 15 per cent. per year.

(ii) Five years.

Question 4. (a) Not known.

(b) 60 per cent.

(c) Not known.

(d) 30 per cent.

(e) 7 per cent.

(f) 3 per cent.

Question 5. (i) No hard and fast rules are strictly observed in spite of such stipulated periods given in mortgage and simple bonds.

(ii) Compound interest is not charged.

(iii) Yes, in all cases one month's interest is deducted in advance when granting loans. Nowadays a system of deducting advance interest on loans granted by the loan offices is being introduced in this district and in Jamalpur subdivision in the district of Mymensingh. It is stipulated in loan bonds that interest at the rate of say $3\frac{9}{16}$ per cent. per month will be charged, but if the borrower pays the interest for 30, 60, 90 or 120 days in advance he will get a discount of $1\frac{9}{16}$ per cent. per month from the stipulated interest. In case the borrower fails by even a day in paying the interest in advance he has to pay at $3\frac{9}{16}$ per cent. per month.

(iv) For no fixed period as stated above.

Question 6. (i) Yes, mostly against tight security and occasionally on simple bonds for small amounts.

(a) No.

Question 7. (i) Money-lending is practically the only object—only a few of them have some other trading business as well. About 25 per cent. of their resources are applied in trade.

(ii) Because they have no branches of their own in Calcutta.

Question 8. (i) At the most 25 per cent. of their profits is kept in the reserve fund but generally it is not invested in any other separate concern. The reserve fund though often shown separately in the balance sheets, are always included in the working capital of the concern with the exceptions of a very few banks and loan offices.

(ii) From 5 to 75 per cent. in this district.

Question 9. (i) Mostly in Bengali book-keeping system.

(ii) I do not think that stereotyped uniform system of accounting on prescribed forms will be of much service, but certain model accounting forms could be prescribed which these institutions may adopt with necessary modifications to individual needs.

Question 10. In the event of a creation of federation of such institutions, naturally bigger member of the federation will be benefited at the cost of the smaller ones. So I do not believe in the utility of such federation.

Question 11. Loan offices as at present constituted and influenced mostly by professional money-lenders cannot be induced to take the risk of financing trade and agriculture. The primary motive of banking concerns in independent countries is to help trade, industry and agriculture by freely financing them, while in our country those so-called joint-stock banks and loan offices are nothing better than professional money-lenders in disguise, whose only object is to make huge profits and declare enormous dividends to a handful of shareholders. "Small profit and quick transaction" is not their guiding principle. Therefore a radical change in policy and angle of vision is absolutely necessary to make these joint-stock banks and loan offices of real service to the country.

It is my considered opinion that if loan offices and joint-stock banks persist in their present policy and method of work, the indebtedness of people in general will continue increasing day by day and in the long run matter will come to such a head as will plunge the country in an undescribable crisis from which she can hardly expect to get out.

I am also of opinion that legislation should be undertaken compelling the loan offices not to declare any dividend more than 25 per cent. and place a reasonable amount not less than 50 per cent. of the net profit in the reserve fund which should be invested separately in the co-operative central banks or such other reliable bodies. The co-operative central banks in their turn will be in a position to finance the village co-operative credit societies with these amounts if these societies are started as suggested above. This will make money available to the agriculturists and other people at a cheaper rate of interest which in the long run will compel the loan offices, etc., the loan offices, etc., to bring down their rate of interest to the minimum level.

Question 12. No.

Part II.—Indigenous Banking.

Question 1. Indigenous bankers of this district lend out money to big merchants in *hundis*, to their own village *farias* for trade in return for a share in the loss and profit. They accept *hundis* in up-country centres for discounting them at Calcutta and vice versa, finance small dealers in agricultural produce on hypothecation and some time store certain agricultural produce, viz., tobacco leaves, dry ginger, paddy, etc., on their account for selling them at the most favourable market.

Question 2. Vide statements above.

Question 3. (a) Difficult to ascertain.

(b) Fair volume of business.

(c) Much less than registered institutions.

(d) There is some amount of co-operation among themselves, but with other banks they have not much to do.

Question 4. They often use "*purjas*" among themselves in place of stamped *hundi* papers. They issue and accept due-drafts and sight-drafts on ordinary papers.

Question 5. (i) Not known.

(ii) To meet their demands they issue and accept "*purjas*" in case of emergency. Ordinarily they are not eager to receive deposits from general public—of course if any body voluntarily approaches them to deposit some money in their "*gadi*" they accept same.

(iii) They accept only current account deposits on which they pay $7\frac{1}{2}$ to 9 per cent. interest per annum on daily balance. They do not issue any pass books or receipts for deposits received, and are ready to refund same deposits at any hour of the day and night.

Question 6. (i) Already stated above.

(ii) By opening co-operative societies with limited liability as stated above.

(iii) I hope so.

Question 7. (i) There exist some amount of prejudice against these people as they mostly come from other provinces.

(ii) Not sufficiently protected.

(iii) Yes, at present any mention of interest in the "*hatchitas*" accepted by these indigenous bankers is not allowed by Civil Courts. This should be remedied by legislation.

(iv) and (v) System of receiving deposits without issuing any *pucca* receipt is far from desirable and is unsafe on the part of depositors. These indigenous bankers should be compelled by law to issue pass books and *pucca* receipts for the deposits they receive.

Question 8. (iv) They will not readily agree to any change in their time-honoured custom.

Question 9. Those who have only money-lending and *hundi* business make a clear profit of at least $12\frac{1}{2}$ per cent. on their capital. But those who have trading business in addition to money-lending business sometimes make very good profits and sometimes suffer similar losses

Question 10. They refuse transactions not so much for insufficiency of working capitals as for undesirability of parties.

Question 12. (i) In case of failure of a good monsoon any year, some amount of money remains uninvested.

(ii) Yes.

(iii) If numerous co-operative societies are opened throughout the country these uninvested funds in the hands of indigenous bankers are expected to come to these societies as deposits, thereby enabling the societies to finance agriculturists and other trades and thereby benefit the districts.

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**Professor J. C. Das Gupta, Krishnath College, Berhampore
(Murshidabad district).**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturist finances himself mainly by means of loans from mahajans. The means of the cultivator here are very limited and do not permit of any outlay on improved implements or other capital improvements of any extensive character. Where a cultivator is a member of a co-operative society he takes recourse to the co-operative society also for expenses during cultivation and for capital in the shape of implements.

(ii) Loans are taken for anything between one and three years and rates of interest vary from 12 per cent. to cent. per cent. The cultivator's own land constitutes the security in a large majority of the cases. In some cases, however, half the standing crop is tendered to the money-lender as interest.

(iii) The professional money-lender and the dealer (in cases of commercial crops like jute) are the most important sources of agricultural finance. Co-operative banks are fast tending to become an important source, but as yet they touch only a small fraction of the people. Joint-stock banks are of no importance to the average agriculturist; such banks do not care to lend in small sums. The Imperial Bank has a still smaller significance for the agriculturist. It may be added, however, that with progress in the knowledge of the cash credit system, the agriculturist may gradually be linked in an indirect manner to joint-stock banks.

(v) The mahajan is often a monopolist. This is so, in the first place, because of the extremely small number of co-operative banks (being about 13 to a lakh of population in Bengal). In the next place, joint-stock banks are generally unwilling to extend their transactions to villages lying far away and to keep a large number of petty accounts with small agriculturists. Further, such banks are by nature ill-fitted to cope with applications for long-term loans.

The professional money-lender renders undoubted services to the agricultural community, but not infrequently he lends where he should not, hoping that some day the mortgaged ornament or the land would be his. Another defect associated with the mahajan system of money-lending is that accustomed to operate with local money, the mahajan seldom borrows abroad for local lending.

As at present constituted, the co-operative societies, even if they were more numerous, could not fully meet the needs of the agriculturist. Large and long-term loans are required for the clearance of debts and agricultural improvements; but these societies can neither make long-term advances nor are they able to grant loans beyond a definite amount to any particular individual. For a real solution of the problem of agricultural finance the establishment of land-mortgage banks seems to be eminently desirable.

Question 2. (iii) Yes, one has been recently started at Beldanga. It has been linked to the Calcutta Wholesale Jute Society. Financed partly from out of their own capital, but mainly through advances secured from the Provincial Co-operative Bank.

(ii) Want of knowledge and information on the one hand, and dire immediate needs for money on the other, stand in the way of the agriculturist's realising good value for his produce. Co-operative sale societies may be of great use provided (1) they are run by efficient managers and (2) the co-operators are loyal to such institutions.

Question 3. (vi) Yes, agricultural indebtedness seems to be on the increase; growth in the number of landless labourers is an important indication of the same. Agricultural indebtedness, it should be remembered, is at once the cause and consequence of the poverty of the people.

(vi) Advances made under these Acts have always been very meagre. They are of some use to the agriculturist during periods of dire distress, but, generally speaking, these loans are not popular in so far as they entail more formalities than the village loan and their repayment is enforced with a rigidity unknown to the mahajans.

Question 7B. (i) Unsecured loans the agriculturist can seldom secure except through the agency of co-operative credit societies. As to secured loans also there has been some reduction in the rate of interest.

(ii) Several cases have come to my knowledge where money-lenders having given up their profession have become depositors of central co-operative banks.

(iii) Illiteracy appears to be an almost insuperable stumbling block in the way of any real progress of the co-operative movement. Unpunctual habits, apathy of the members owing to their lack of education and absence of high ideals may also be regarded as important causes.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. Nehalia, Nashipur and Berhampore Banks.

Question 2. The relative proportions of (a), (b), (c), (d) and (e) may roughly be said to be as follows:—

(a) 8 per cent; (b) 2 per cent.; (c) 20 per cent.; (d) 25 per cent., and (e) 45 per cent.

Question 3. Rates of interest vary between 6 per cent. for half-yearly deposits and 8 per cent. for three yearly deposits.

(ii) 5 years for charitable institutions at 9 per cent.

Question 4. (a) Government and other securities—6 per cent.

(b) Loans against immovable properties—48 per cent.

(c) Loans on personal security—40 per cent.

(e) Jewellery—6 per cent.

Question 5. (i) Six months on jewellery; one year on land mortgages; three years on hand notes. The rate of interest is, roughly speaking, 12 per cent. on secured loans and 15 per cent. on unsecured loans. Loans are mostly for purposes of consumption and ceremonial expenses.

(ii) Every six months interest goes into the principal.

(iii) Yes, but in such cases the interest charged is lower than usual.

Question 6. No, ordinary cultivators are not accommodated, but big land-holders—zamindars and patnidars—are accommodated.

Question 7. (i) No.

(ii) No difficulties; but as the outgoing trade is small here, bills drawn in respect of goods sent from here to Calcutta are not generally offered.

Question 8. (i) About 25 per cent. of the profits; kept as a fixed deposit in some of the bigger banks in Calcutta.

(ii) 1923—4 per cent.; 1924—4 per cent.; 1925—6 per cent.; 1926—9 per cent.; 1927—6 per cent.; (dividends declared by the Berhampore Bank).

Question 9. (i) The same as that of co-operative banks.

(ii) Yes, and the audit rules must be made more stringent.

Question 10.—Eminently desirable.

Question 11. No.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (iv) The answer is in the negative. In many villages the only institution for the encouragement of thrift is the Post Office Savings Bank. The postmaster is in many such cases also the school-master and his stay at the post office is of much too short a duration to enable many people to invest their savings even if they desired to do so.

(v) It is common knowledge that development of banking and growth in habits of investment go hand in hand. Extension of banking facilities leads to larger investments and growth in habits of investment accelerates in turn the spread of banking. Larger banking facilities are, therefore, of fundamental importance for the economic welfare of the community.

(vi) There is no marked desire to invest in silver. Comparative scarcity and fluctuations in value combine to create an exaggerated demand for gold even for purposes of saving.

Question 2. (i) Yes, recent changes making cash certificates encashable in parts have added to their popularity.

(iii) Greater facilities seem to be desirable.

(iv) Generally speaking, middle class people.

(v) No improvement can be looked for without mass education.

Question 3. (iii) The average agriculturist has seldom any surplus over the necessities of life, the more prosperous ones spend their money—(i) in improvement of their houses, (ii) in purchasing new lands and (iii) in lending to less fortunate fellow agriculturists.

Question 4. (i) The growth of the cheque habit must necessarily be slow in a country like India, where less than 10 per cent. of the people can read or write.

(ii) An increase in the cheque paying habits of middle class people.

Question 5. (i and ii) Yes, some of the causes being—(i) the predominance of agriculture and rural life, (ii) the illiteracy of the mass of the population, (iii) the low standard of living and poverty of the people, (iv) lack of trained bank employees and (v) lack of appreciation on the part of the well-to-do classes of the advantages to themselves of organised banking.

(iv) The opening of new branches by the Imperial Bank has led to an increase in the development of the cheque paying habit. Wherever there is a branch, the trader has been benefited; it has been, in particular, the means of cheapening to the trader the cost of transfer of funds from one inland point to another.

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Mr. A. K. Sarkar, Professor, Presidency College, Calcutta.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) It may be stated in a general way that the agriculturist in the Hooghly district obtains finance from the following sources :—

- (1) Professional money-lenders.
- (2) Non-cultivating proprietors of holdings advancing money to their bargadars or bhagdars.
- (3) Traders advancing money on crops about to be harvested.
- (4) Co-operative credit societies.
- (5) Landlords.
- (6) Taccavi loans under Agriculturists Loans Act.

The abovementioned sources have been placed in order of importance.

The professional money-lender does most of the financing to the agriculturist not only for his agricultural needs but also for his social and other needs—house-building, purchase of land, etc.

The second best financial helper to the agriculturist is the gentleman-proprietor of the holding with vested interest on the metayage system. The agriculturist is sure to get all financial help he requires at a lenient rate and can repay his debt most conveniently when his

harvest is reaped. In certain parts of the Hooghly district and it may be throughout the whole of the Sadar Subdivision, the position of the bhagdar is strong in this respect.

The next source is the trader from outside or inside who cautiously advances money on the estimated value of crops about to be harvested, particularly on crops like jute, potato and paddy. His help is readily available near about town areas, railway stations and other sites with facility for communication.

The Co-operative Credit Society is the best organised credit agency for the agriculturist. But as yet its beneficent sphere is limited. The rate of interest is somewhat lower than what is charged by the professional money-lender. But the loan is not so readily available, and the strictness of the credit consideration and the official smell of the transaction, make the borrower rather shy to approach the agency. For a long time to come the village money-lender is sure to hold his own.

The landlords, nowadays, only in rare cases advance money. They do so to settle new tenants on uncultivated lands and very rarely to old tenants making permanent improvement on their lands.

(ii) The rates of interest in my district vary from 12 to 36 per cent. It is 12, 18, 27 and 36 per cent.; 2 pice per rupee per month is the most commonly prevalent rate. When the credit is high, the relation between the parties is well established and the personal experience is favourable, the rate falls.

For agricultural purposes the loans are generally taken for a year. For seasonal crops they are taken for shorter periods. For capitalistic purposes and for permanent improvements the period varies from three years to nine years. When a cultivator wants to purchase land he may raise a loan for 9 years on the security of the land to be purchased.

The security given and accepted is land, standing crop or personal guarantee.

The conditions are annual payments of interest which is otherwise capitalised. Sometimes in lieu of interest the income of the mortgaged land is pledged to the creditor. In some cases, if the loan money is not repaid in time, the mortgaged land automatically becomes the property of the creditor.

In my village the percentages of the unsecured and secured loans are about 75 and 25, respectively.

The defects are want of sufficient loan funds and a high rate of interest.

The reasons are: the credit of the borrower is low, the capital of the professional money-lender is small, the supervision of the credit transaction is costly and onerous, and the risk is great.

The credit is mostly personal. The credit due to land is less than what it might have been for defective land laws as well as extra-legal interference of the zamindar.

The remedies may be found in the co-operative credit and the supply of loanable fund to the money-lender on proper security which should include his credit documents representing the loans he has advanced to the agriculturists. Establishment of rural banks may be useful in this direction.

Question 2. (i) The present methods of marketing the principal crops in my district are :—

- (a) Directly by the raiyat himself to the nearest market in his own or hired bullock carts.
 - (b) Directly by the raiyat to a distant mart in his own or hired bullock carts.
 - (c) By the raiyat himself via the nearest railway station to Calcutta port or arats.
 - (d) Through village middlemen during the cultivation who take possession of the crops as soon as they are harvested, to sell them at a profitable price in proper time.
 - (e) Through outside traders who advance money on the estimated crops about to be harvested.
- (a) and (d) are the commonly prevalent methods.

Very often the raiyat is unable to hold up his crop for a better price.

The reasons are: his want of capital, credit and spirit or enterprise—risk taking legitimate speculation.

To pay his rent he sells his jute as soon as it comes in September, his paddy in January, his potato in March. He saves much in interest by these timely sales and loses considerably only in cases of violent and unforeseen price fluctuations. On the whole, the sale is timely and economic for raiyats.

(ii) There are good many difficulties in the way of forming pools and of co-operative effort generally in marketing produce :

- (a) Raising capital to meet the immediate necessities of the raiyat—timely payment of rent and interest.
- (b) Initial expenses—construction of godowns, etc.
- (c) Risk taking.
- (d) Supervision.

The difficulties pertaining to (a) and (b) may be obviated through the financial help of the central co-operative banks which can place sufficient funds in the hands of such pooling societies.

But (c) and (d) are real difficulties. The risks are as great at least as the gains. Last year in my part of the district all those who stocked paddy in the expectation of a profitable sale afterwards, had either to sell it at a loss or not to sell at all for the whole year. They will have to hold it up for this year also very possibly. If the price recovers in the coming year the interest lost through the locking up of their capital will not be recouped at 5 per cent. even.

The supervision of such societies must be a difficult task, which can be efficiently done by only trained and experienced business men. Their remuneration must be on a high scale. Honorary supervision is not expected to produce the desired effect.

I have an experience of a simple system of co-operation in marketing village produce. A number of raiyats combine to hire a railway truck. Sometimes they place all their several carts at the disposal of one of them at a time in order of urgency of needs.

The idea that the grower of produce in India, does not get the full value for his produce on account of the speculative buying and selling activities of firms and companies dealing in export trade and on account of the control of prices by these and other bodies, is much misconceived.

The case here is not unique, but falls in level with speculative activities of all sorts and everywhere speculation is frequently legitimate and economically beneficial as preventing inordinate fluctuations of prices and helping the produce through timely purchase or sale. In rare cases only speculation is merely predatory or exceptionally profitable. Ordinarily in their purchases of the agricultural produce in my part of the district a necessary service is rendered by the capitalist middlemen, and only a legitimate profit is secured by them.

From my personal observation I can make the following statement. Mullick Kasim's hat is one of the big marts in the Hooghly district. It is some 25 miles away from my village. During my incumbency in the Hooghly College I several times studied the difference between the price, in my village and the hat, of potato and paddy. In dry seasons the prices seldom fluctuate by more than 6 annas per maund which may roughly be regarded as the cost of carriage. The wholesale dealers of the hat, I have reason to believe, make only a reasonable profit in reselling the articles. The same is the case, I understand, from the raiyats of my village, with their transactions in the Magra Gunge, a railway junction and riverside mart.

The prices of potato, paddy and jute—the main agricultural products of my village—readily respond to the prices at Magra or Chinsura, and the latter in their turn as readily respond to the price fluctuations at Howrah or Hatkhola.

For a better return to the agriculturist, the simplest thing to be done is to lower his cost of carriage by opening out roads and giving him other facilities for communication.

While, as I have said, the difference in price in my village and Chinsura, which is some 25 miles away, in dry seasons, is only 6 annas per maund of goods, it becomes as much as 4 annas for a distance of about 2 miles only in the rainy seasons between the same site and the Gurup East Indian Railway Station.

To ensure a better return to the growers only two things can be done :
(i) to increase their power of holding up by timely grant of credit, and
(ii) to diminish their cost of carriage by opening out roads.

Question 3. (i) In my part of the district, the value of land when highest is about Rs. 300 per acre for either *suna* or *sali* land.

The value varies in different parts of the district according to the nature of the right, pressure of population, facility for communication, degree of social amenities, health of the locality, nature of the landlord—oppressive or sympathetic, and, finally, fertility.

Generally speaking, *suna* land producing sugarcane, potato and jute is regarded as more valuable than *sali* land producing paddy only.

In this respect, there has been a revolution since the advent of jute and potato as profitable crops. Formerly paddy land was more valuable.

Question 5. (i) The existing indebtedness in my village is about Rs. 6,000.

(ii) The estimate can be made from the statements of the agriculturists and the records of the money-lenders, the zamindars and the tradespeople.

The first three sources can be easily utilised. The last item is difficult to deal with but inconsiderable.

(iii) The registry office records may be utilised.

(a) The amount of debt with land as security is about Rs. 1,000 (mortgage deeds registered).

(b) With ornaments as security is about Rs. 500.

The unsecured debt is about 75 per cent.

(iv) Purposes for which the debt was incurred are in the following order of importance:—

(a) Payment of rent.

(b) Purchase of cattle, seed and manure.

(c) Repayment of earlier debt.

(d) Marriage and other social expenses.

Purchase of property—occupancy or similar rights on land—is also a considerable item.

(v) The debt is largely due to the professional money-lender.

(vi) Agricultural indebtedness in my village is increasing with increase of property and credit of the agriculturists. It bespeaks their progressive prosperity.

(xv) The prevalent rate of interest of paddy loan in my locality is 25 per cent.

Question 6. (iii) In my part of the country there is no period of unemployment for the farmer or the agricultural labourer. His extra time is employed in thatching the cottages, excavating tanks, hedging gardens, carrying goods, tapping date-palms and fish culture.

Vegetable gardening, rearing poultry and fish culture and keeping cows may be the most profitable extra-time employment for the farmer.

(iv) It will be easy for him to raise the working capital from the ordinary sources.

Pisciculture in places with railway communication can be a flourishing industry. There are hundreds of insanitary tanks in every village. If these are re-excavated by a commercial syndicate and then are worked with the local labour a good profit may be made.

122.

Mr. K. B. Saha, M.A., Lecturer in Economics, Dacca University.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturist in my district (Dacca) is generally financed for cultivation expenses by the village money-lenders. The loans taken for the purpose are small in amount and for short terms. They are usually obtained on personal credit. When the cultivator has no such credit he pawns ornaments. If he is a member of a co-operative credit society he is financed by his society.

For capital and permanent improvement also he is generally financed by the money-lender. But in this case, as the loan is usually for a large amount and for a long term, he has to mortgage his holding either in entirety or in part as it may be necessary. Whenever he

has to borrow a large sum, e.g., for litigation, marriage, etc., his land is mortgaged.

In my district, excepting the Madhupur Jungle tract most of the lands are annually flooded. The crops do not so much depend on rainfall, and harvest failure is rare.

(ii) The rate of interest charged by money-lenders for unsecured loans varies from 24 per cent. to 75 per cent. according to the credit of the borrowers. For secured loans which are usually for large amounts, the rate varies from 18 per cent. to 24 per cent. The securities offered for agricultural loans are either ornaments or land. In my part of the province crops are not usually offered and accepted as security for loans.

(v) The main defect in agricultural finance in this province is the high rate of interest that has got to be paid by the borrower. This is due to the fact that agriculture is even at the present time mostly financed by money-lenders. The remedy is the spread of the co-operative credit movement.

Question 2. (i) The most important crops in my district are rice and jute. The former is very largely consumed by the growers themselves, and, therefore, the problem of marketing it is not very important. When the cultivator has got a surplus, he either sells it to a *faria* at his own house, or takes it to a neighbouring hat. The problem of marketing jute is much more important. The raiyat generally sells his jute at his own house to *farias* who frequently come to him in the jute season.

He cannot hold up his entire jute for a better price on account of his wants. But he can do it to a large extent. Ordinarily he watches the market and sells his jute by a number of instalments. But the market is very uncertain and the cultivator sometimes loses by holding up his crop.

(vi) (a) The principal export trade in my part of the province is that in jute. There are several centres of the collecting trade in jute, e.g., Narayanganj, Chandpur, etc. In these centres there are large European firms which collect jute, press it into bales and export them to Calcutta. These firms purchase jute at their central offices and through their numerous out agencies in the rural areas. They buy jute from *beparies*. The *beparies* buy it from *farias* and the latter from cultivators. The European collecting firms in the jute centres are financed by the Imperial Bank, while the few Indian firms are mostly financed by indigenous bankers. The *beparies* are to a very small extent financed by the collecting firms; they are largely financed by money-lenders. The *farias* are financed by money-lenders.

(b) The import trade from the ports to the distributing centres and finally to the consumers are mostly financed by indigenous bankers.

To a very large extent each grade of the middlemen in this distributing trade in imported goods is financed by the next higher grade from which it purchases. This financing is done mainly through the granting of credit which often extends for long terms.

Question 3. (i) It varies from Rs. 100 to Rs. 500.

(ii) This value tends to be equal to the capitalised value of the difference between the economic rent and the actual rent including the abwabs of land. It thus depends upon various factors, such as fertility, situation, nature of crops, their price, the cost of cultivation, the

rent and abwabs and the rate of interest. Since the buyer has got to pay a salami or transfer fee, the value also depends on this amount of transfer fee.

Question 4. (i) No.

(ii) It has not much affected the credit of the raiyat. The occupancy raiyat has obtained the legal right to transfer his holding. But agricultural land was almost freely transferred before the new Act on the payment of a salami to the landlord. On the other hand, though the landlord has got the right of purchase when a holding has been transferred this right is not likely to be exercised except in rare cases and therefore, it is not likely to seriously affect the demand price of agricultural land.

(viii) Debenture bonds.

(ix) There should be a Government guarantee for interest only.

(x) There should be a proper control by the Government and with such control there is not likely to be any considerable loss to the Government. A part of the profits of such banks over a certain percentage may be placed at the disposal of the Government to form a common reserve fund to meet losses if they arise.

Question 5. (i) An estimate of indebtedness has been made by some of the Settlement Officers during survey and settlement operations. Thus in Faridpur the total indebtedness was found to be Rs. 230 lakhs of which more than two-thirds was the share of agricultural classes (1). The total amount of debt in the district of Dacca was estimated to be Rs. 476 lakhs (2). In Mymensingh the average burden of debts per family in debt was estimated to be about Rs. 100 (3). In Jessore enquiries were made in 58 villages and the amount of debt per head of the total population was found to be Rs. 12-2-10 (4). In the economic survey of a typical Faridpur village made by Mr. Burrows the Collector of the district, it was found that out of 170 families, 107 were in debt to the extent of Rs. 21,780 (5). Of this, Rs. 8,276 was borrowed from the Co-operative Bank in the village and the rest from money-lenders.

(iv) The majority of the debts are incurred for marriages.

(v) Money-lenders.

(vi) Increasing.

(vii) To a very small extent.

(ix) Yes, but they are mostly confined to urban areas.

(x) Yes. I know of several cases in my own village.

(xi) To a very small extent.

(xvii) Yes, a considerable number.

(xviii) Yes.

Question 6A. (i) Partly by themselves and partly by indigenous bankers.

(1) Jack, Economic life of a Bengal district, p. 98.

(2) Settlement Report of Dacca, p. 47.

(3) Settlement Report of Mymensingh.

(4) Settlement Report of Jessore, p. 71.

(5) Evidence of Mr. Burrows before the Indian Agricultural Commission.

Question 6B. (i) Indigenous bankers including money-lenders. The Imperial Bank lends money to such people, only when they can offer Government securities as collateral security.

(ii) The small traders borrow for trade necessities. The others borrow for unproductive purposes generally, e.g., marriage, *sradh*, unemployment, illness, etc.

(iv) It seems to be increasing excepting the few who hold Government appointments.

Question 7A. (i) No.

Question 7B. (i) A small reduction in the rate of interest.

(ii) To a small extent.

(iii) The general illiteracy of the people and to a certain extent the loan policy of the societies.

Part II.—Indigenous Banking.

Question 1. The indigenous banker receives deposits, facilitates remittance of money and finances to a large extent trade and industry in my district.

Question 2. The indigenous banker does not finance agriculture except to a small extent. This is done mainly by village money-lenders. The indigenous banker finances trade and industry by lending on securities or by means of hundis.

Question 4. There are mainly two kinds of hundis prevalent in my locality, namely, the *darshani* or on demand hundi, and the *muddati* or time hundis. The former is generally used in the transfer of funds from one place to another. The latter is used in the lending and borrowing of money.

Question 5. (i) They grant loans generally by hundis or by mortgage. The usual rate is 12 per cent.

(ii) It varies from 6 per cent. to 9 per cent.

(iv) No, so far as Dacca is concerned.

Question 6. (i) See answer to Question 1 (ii)—Part I.

(ii) By the increase of competition in such business or by an effective legal limitation of interest.

(iii) Yes.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (iii) Postal Savings Banks, Postal Cash Certificates, co-operative credit societies, loan offices, indigenous and other forms of banks.

(iv) No. There is a great scarcity in the rural areas.

(v) Yes, every post office in the rural areas should have a Savings Bank Department. Facilities can be extended by an increase in the number of co-operative credit societies. The use of vernacular scripts in Postal Savings Banks and also in cash certificate transaction is likely to increase investment in them.

(vi) There is a very large investment in gold and silver. This is clear from the large annual importation of these metals to this country. The absence of banking habits and facility is the main cause of this unusually large investment in gold and silver.

Question 2. (i) At the present time they are not very popular. In the rural areas they were never very popular. They should be written in Bengali script so far as rural Bengal is concerned.

(ii) To a small extent the price should be lowered and the discount on redemption before maturity should also be considerably reduced.

(iv) Mostly middle class people.

Question 5. (i) Yes.

(ii) Partly to the absence of the banking facilities and largely to the illiterate condition of the mass of the people.

123.

Mr. Matilal Dam, M.A., Lecturer in Economics, Dacca University.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 4. (i) No.

(ii) By granting a better and more valuable right it has improved his credit.

(iii) The smallness and fragmentation of holdings do not materially stand in the way of establishing long term credit institutions as the bonds of these institutions would represent claims upon the Associations and be supported by the collective security of many individual mortgages. In Germany, the foremost country in the organisation of mortgage credit, there is a widespread tendency to make small properties eligible and to give them special concessions.

(iv) A land mortgage bank has been organised in Naogaon. Mufassal loan offices grant such credit.

(vi) In my opinion co-operative as well as joint-stock banks should be established. Any attempt to force all institutions into one form would be mischievous and end in failure. In the case of joint-stock banks a minimum capital with compulsory increase in proportion to business should be laid down and the principle of double liability may be adopted. Co-operative mortgage banks should follow the principles of ordinary co-operative societies as to administration, capital, distribution of profits, reserve, etc.

Mortgage credit should be divided into short and long term loans. Short term loans are to be those given for a period shorter than 5 years, the principal being repayable at maturity. Loans for a period exceeding 5 years are to be classified as long term loans and should be repayable on the amortisation plan.

The interest charged is to be equal to the interest paid. A low annual rate is to be charged to cover expenses and profit. Loans should be made with money rather than with bonds. These banks will work under rigid Government supervision so that the borrowers may get the advantage of a low rate of interest.

(vii) (a), (b) and (c) In a poor country like India default of payment is likely to occur oftener. In case of default the lending bank's ability to pay promptly will suffer and necessarily the bonds will not be considered good investment. Hence the provision of a legal process for prompt relief in case of default is imperative. All the measures suggested in (a), (b) and (c) are in operation in Germany and should be adopted in India.

(viii) If the mortgage Bank be of the joint stock type the subscribed capital will play an equally important part. In case of a co-operative organisation deposits from non-members and debenture bond will be the more important. Primary societies will have to depend more on funds central institutions.

(ix) Debentures should carry Government guarantee for interest only. Indirect help is more healthy and I would suggest the exemption of the bonds from taxation and the operation of the Stamp Act in addition to (vii) (a), (b) and (c) instead of Government guarantee for principal.

(x) Government supervision without any financial contribution by the banks.

(xi) Yes.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 2. I have not worked out provincial or district figures but I have drawn certain inferences from the published balance sheets of representative banks which I can submit later on, if necessary.

Question 3. (i) The most general rates are—

- (1) Current account money—3 per cent. per annum.
- (2) Savings Bank account—4 per cent.

Deposits fixed for—

- (3) 3 months—5 per cent.
- (4) 6 months—6 per cent.
- (5) 1 year—6½ per cent.
- (6) 2 years—7 per cent.
- (7) 3 years—7½ per cent.
- (8) 4 years—7½ per cent.
- (9) 5 years—7½ per cent.
- (10) 6 years—7½ per cent.
- (11) 7 years—8 per cent.
- (12) Special current deposits 8 per cent.

Banks of 1 to 4 or 5 years' standing quote 10½ per cent. for 4 years' deposit and 12 per cent. for 6 years. This year I am informed, many banks are touting for deposits fixed for one year at 12 per cent.

Special current deposits are taken in the sowing season and repaid after the harvests. There is no fixed term and they are payable at the option of the bank.

(ii) I have not heard of a deposit fixed for more than 7 years.

Question 4. I have not worked out proportions, but I give my conclusions below from a cursory study of balance sheets.

- (a) Almost nil.
- (b) About 40 per cent. against land. Building loans are rare.
- (c) Nil.
- (d) This is the largest group.
- (e) Not more than 1 per cent.
- (f) Almost nil.

Question 5. (i) There is no fixed period for loans.

Loans are generally of 4 different kinds:—

(1) Loans on Hand notes (pro notes) or personal credit—these are short period loans given to the most substantial and reputable people of a locality and taken for various purposes such as social ceremonies, business, etc. The debtor repays it out of current income, if it is sufficient and mostly by withdrawal of money from elsewhere where it was temporarily locked up. Agriculturists usually are not allowed such loans unless they are extremely well off for business purposes or for temporarily tiding over some difficulty. A suit for such a loan must be filed before the expiry of 3 years (Limitation Act) from which it follows that such loans are for short periods not exceeding 3 years. Suits are rare as these loans are usually paid off by the debtor to keep his reputation and credit intact. The prevailing interest is 12 to 15 per cent., the highest being 18 per cent. Debtors take these loans very much as the process is secret, cheap and convenient.

(2) Loans on simple bonds—these are practically speaking in many cases loans on personal security. They are intermediate between loans on pro notes and mortgages in point of convenience to the debtor. These loans are generally given to agriculturists for financing agricultural operations. A date of maturity (*wada*) not exceeding one year from the date of execution is inserted in the deed, but it is immaterial except for calculating the period of limitations. The rate of interest per mensem ranges from Rs. 2-9 to Rs. 4-11 per cent., the usual rate being Rs. 3-11 (north-eastern part of the Mymensingh district). The interest rate, it should be noted, is the highest for such loans and rightly so.

(3) Mortgage loan is taken by an agriculturist for fixed capital purposes, such as buying of land and bullocks, expenditure on social ceremonies and the repayment of old loans. Mortgage loans have to be taken when one has fully exploited the sources 1 and 2 above, or the amount involved is very large, and required for long period locking up. As in the case of simple bonds a due date, 2/3 years from the date of execution, is inserted, but it is not strictly enforced as the period of limitation is 12 years. The right to sue accrues after the due date, but if the value of the properties provide a safe margin a suit is deferred till the maximum period. The amount lent is generally 50 to 60 per cent. of the market value of land. The common rate of interest is Rs. 2-9 to Rs. 3-9 per cent. per month.

- (4) A small amount of money may be also lent on pledge of valuables.
- (ii) Generally not.
- (iii) Universally deducted in advance.
- (iv) See answer to 5 (i).

Question 6. (i) Most of the loans are given to agriculturists. See answer to 5 (i).

(ii) Co-operative societies are best of all where they exist. But the utility of co-operative banks, as at present constituted, for long period loans and loans for repayment of old debts is much limited.

These loans offices certainly provide a better agency than the private professional money-lender because—

(1) They are above abuses like falsification of accounts and documents.

(2) Money-lenders make searching enquiry and rigidly enforce their claims without mercy. The agent of the money-lender will go out to make demands often and at the harvest time will take away the crops from the field in lieu of payment.

(3) Money-lenders take a premium (selami) in addition to advanced interest.

(4) Loan offices treat the debtors with greater courtesy and consideration.

(5) Dealings with loan offices have an educative value and encourage the banking habit.

Question 7. (i) Generally not. The older companies used to engage in trading under the influence of the Swadeshi movement, but the recent tendency is not to tack it on. At present at most 1 per cent. of the loan offices are engaged in subsidiary trading and the resources employed will not exceed 5 to 10 per cent.

(ii) (1) Environmental circumstances—In interior villages trade is conducted on the cash basis and there are few occasions to draw bills.

(2) These banks are promoted and managed mostly by amateurs of the legal profession, who have had never the business training or tradition of the Marwaries, Shahas, Baniks and Bysacks. The essential preliminary to bill business is to thoroughly understand the nature of business, to know the credit standing of parties and to keep the informations up to date and thus minimise the risk. This is not possible unless one is in touch with business or keeps a qualified staff for the purpose. The small amount of possible bill business does not justify the employment of a truly qualified and responsible staff. The bill business is being carried on with greater efficiency and less formality and cost by the private mahajans.

Question 8. (i) There is no fixed proportion. It is kept in deposit with other banks in the district. Investment in Government security or purchase of cash certificates is rare. Deposit with the Imperial Bank or the bigger joint stock banks is very often not easy, nor would it be much helpful in a crisis.

(ii) The average rate of dividend during the last 5 years has been between 25 to 30 per cent., in a number of cases 50 per cent., and in rare cases 80 to 100 per cent. have been paid.

Question 9. (i) They keep accounts strictly on the cash system, a few have recently adopted the mercantile system.

(ii) A uniform system of accounts and balance sheets should be prescribed. It may be mentioned to their credit that most of the loan offices

at present supply much more detailed information and explanations than the big joint stock banks do.

Question 10. Federation into a central bank keeping a reserve of cash and lending power is the surest way to ensure the maintenance and smooth working of the entire system. There is abundant proof that the loan offices are convinced of the necessity, but mutual rivalry and possibly personal considerations are delaying the final steps. If a provincial central bank is not practicable now, a series of central banks for smaller areas might be established, to be federated into one central bank later on. One such bank for the Jamalpur area, one for Bogra and one for Rangpur or better still for the Northern Bengal districts are urgently needed to avoid possible trouble in the future.

Question 11. Loan offices as at present organised and managed cannot take a bigger share in financing trade. In my opinion the utility of the loan offices lies in their specialising in financing agriculture. Financing of trade and supply of credit (long term) to agriculture go ill together. By a combination of these 2 types of business the cost of the banking service may be kept very low, but such a combination is not justified by past Indian experience or foreign practice. To sum up combination is desirable, but not expedient.

The usefulness of these loan offices to agriculture will depend upon the cost of the services rendered. To reduce this cost the interest allowed on deposit has to be kept reasonably low. This again depends upon the basic factor of confidence. In my opinion, confidence in loan offices, can best be generated and maintained if Government control and supervision is adopted in some form. I do not suggest direct Government help or responsibility but a standard set of rules of the game to be laid down and enforced by Government.

Question 12. So far as my information goes up to now, a loan office failure is an event of rare occurrence. There may have been stray cases but the losses also have been insignificant amounting to a minute part of 1 per cent. of banking deposits.

But this comparative freedom from failures does not necessarily prove their strength. So far they have not passed through any severe crisis except the War time run of 1914 and the loss of confidence in Bengal country banking due to the failure of the Bengal National Bank. Then I must pay a compliment to the average Bengalee depositor. But for his good sense and cool headedness the loan offices would have been nowhere to-day. Perhaps he is less panicky than the average depositor in foreign countries.

One point of their strength is that they are local banks with a personal touch between the depositor and the bank. Times have been when calls were made for payment of current account money or matured deposits and the banks had no cash in hand. In all such cases the directors would request the particular depositor to wait for a few days or give other excuses and the depositor would not take it amiss as he has confidence in them.

The source of weakness and possible danger to these banks lies in the following:—

(1) The very low percentage of paid up capital and reserve to liabilities. Theoretically a bank need not have any share capital, but in practice it is necessary as it safeguards the creditors and forces the

shareholders to take proper care of the business. The presence of an uncalled share liability does not change the position as it is of no help to the bank as a going concern. The identity of interest between shareholder and creditor (depositor) does not exist in case of banks of say 5 years' standing.

(2) There is a common set of people in every locality mostly lawyers, who have made it their profession to promote banks and supplement their incomes in fees as Directors, Secretaries, Supervisors, Managing Directors, etc. Of course, lawyers have excellent opportunities of knowing about the credit and legal standing of parties, but it is doubtful if they have the necessary knowledge of banking practice and principles.

(3) The more the number of banks the merrier are the professional bank promoters. The existence of about 200 loan offices in the Jamalpur subdivision alone is probably due not to any genuine demand for such facilities but to the enterprise of these people. Something like this obtains in Bogra. Jamalpur and Bogra have probably been overbanked. The same man obtains loan from different loan offices at the same time and probably on the same security. He overborrows and brings all the banks into difficulties.

(4) For the first 10 or 20 years of operation it may be easy enough for a loan office to divide fat dividend, but the trial begins when the time for realisation of mortgages comes. This is how many big loan offices have become zemindars. Ownership of land may be a sound investment for some, but it is not the right kind of investment for loan offices.

Due to all these considerations I am disposed to think that the seeds of a difficult crisis have been unconsciously sown and before long the country will have to pay the price of experience and wisdom. The paucity of long period deposits and the universal preference for special current account deposits in recent times is perhaps a timely warning.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) The existing banking resources in this province may be classified into (1) the Imperial Bank of India with 3 branches in Calcutta and ten others in the district town, (2) the Exchange Banks with 14 offices in Calcutta and one each at Chittagong and Howrah, (3) the Indian Joint Stock Banks with 16 offices in Calcutta, (4) the Co-operative banking system with officers in villages, subdivisional and district towns and the Provincial bank in Calcutta, (5) Banks and Loan Offices which do not find a place in the "Statistical Tables relating to Banks in India" but number about 600, (6) Post Office Savings Bank and Cash certificates and (7) the Indigenous Bankers.

(ii) It should be noted—

(1) Banks are both inadequate in number and extremely unequal in distribution as out of 80 banking offices operating in Bengal (statistical tables, 1927) 34 were in Calcutta alone.

(2) That outside Calcutta Exchange Banks are represented by two offices (one at Chittagong and the other at Howrah), while the big Indian Joint Stock bankers are represented by only one office at Asansol.

(3) It follows that Bengal minus Calcutta has to depend for banking facilities on the Loan offices, Co-operative Banks, Postal Savings bank and the mahajans.

(iii) The following encourage savings—

(1) Postal Savings Banks and Cash Certificates.

(2) Co-operative banks—primary and central.

(3) The Savings Bank department of the Imperial Bank and others such as the Central Bank of India, Lloyds Bank. The Postal Department plays the most important part in this respect.

(iv) No.

(v) The public should be provided with fuller facilities by the creation of new machinery as well as by the improvement and extension of existing ones.

(1) Investment Trust Companies have proved most helpful in America by geographical, industrial, qualitative and even international diversification of investments and consequent spreading of the risk involved. I very strongly propose the same machinery for India specially on account of the evil of unscrupulous touting for shares and the ignorance of the investing public.

(2) At present shares are generally of Rs. 100 per value, Rs. 10 shares are an innovation during the post-war boom. To encourage thrift, diversification and extension of community of interest, I would suggest Rs. 5 as the standard par value of shares. Such a reduction in the par value would give all the benefit of the partial payment plan.

(3) As the average Indian investor is a man of small means and cannot afford to lose, the Government should do well to give hints about investment in widely distributed pamphlets.

As for improvement of existing facilities (1) the innovation introduced by Lloyds in allowing Savings Bank depositors to draw cheques has been in the right direction and should be universally adopted.

(2) The rate of interest allowed by the Imperial Bank is too low. Generally speaking it should not be lower than the interest on Government loans and the interest shall be credited quarterly or half-yearly instead of annually.

Extension of facilities is not possible without the opening of new branches and it depends upon the initiative and self-interest of the banks themselves.

Extension in the smaller interior places is possible only by an expansion of the postal system, it being the least costly. At present post offices down to sub-offices can transact Savings Bank business. In special cases branch offices are allowed to tack it on. I suggest a much wider use of the branch offices in this respect.

(vi) The use of gold for ornamentation has increased, but burying of gold and silver expressly for the purpose of investment has certainly declined greatly. During the last War the habit revived temporarily. Fifty years ago every villager had its store of how so and so obtained hidden gold mohurs, etc., but the present generation is extremely unlucky in this respect.

Question 2. (i) Postal Cash certificates are popular but this popularity has suffered on account of the reduction of the rate of interest.

To increase popularity (1) Cash certificates should be issued in the vernacular if so desired,

(2) they should be freely transferable by endorsements,

(3) they should be payable to the holder at any post office other than the office of issue without the formality of identification,

(4) wider advertisement in vernacular.

(ii) Present interest rate certainly requires revision as the purchase of a cash certificate is virtually a lock-up fund (principal and interest) for five years and as such deserves a preferential rate. In my opinion the rate should not be less than $1\frac{1}{2}$ per cent. above the rate for Government loans. The denial of interest before the expiry of 12 months is a fraud in the name of thrift. It would be well if a method of paying accrued interest at the option of the holder once in the year could be adopted.

(iii) The Savings Bank system is not moving with the times.

(1) Cheques should be allowed to be drawn.

(2) Payment from savings bank accounts to ordinary bank accounts and vice versa should be allowed free of cost and formalities.

(3) The rate of interest is long out of date and should be immediately raised to the rate on Government loans.

(4) Interest should be credited quarterly or half-yearly.

(5) Interest should be calculated from day to day or alternatively, if this is too expensive, on the lowest balance on any date between the close of the 5th day and the end of the month. The suggestion of the 5th day instead of the 4th is supported by practice in other lands.

(6) Agencies for the collection of deposits may be maintained in the interior.

(iv) Labourers, petty service holders, the middle class and salaried officers who often use it as current accounts due to the absence of other banking facilities.

(v) It cannot be the aim to attract the richer classes. Steps necessary to make the system attractive have been indicated in 2 (iii).

(vi) When cash certificates yielded 6 per cent. they competed with Banks to a certain extent as they pay 5 to 6 per cent. on deposits fixed for one year. But it ought to be remembered that cash certificates draw funds from a new class of people to an important extent. From my experience I am in a position to state that many who would keep their savings in hoards or mortgages took to this new type of investment instead due to its safety and satisfactory yield. It has done much to educate the people in the banking habit and the banks will in due course reap the advantage of this education.

Treasury bills are helpful to banks in the slack season; but they are disturbing and exercise a tightening effect in the busy season. The Government should make it a practice never to sell them when the bank rate is above 5 per cent.

Question 3. (i) The Government affords few facilities. The Imperial Bank gives advances at low rates and enables investors to make payments in instalments.

I am not in favour of granting special facilities to the small agriculturists as it would mean a drain of funds from agriculture.

The small investor at present enjoys the opportunity of buying and selling Government securities through the post office free of brokerage. If left at the custody of the post office the interest is automatically credited to his savings bank account twice in the year and no income-tax is deducted. Further encouragement should be given in the following manner:—

(1) A portion of each loan should be set apart for subscription by small investors and they should be satisfied in full before any large allotment is made.

(2) Payment in convenient instalments should be adopted.

(3) At present the post offices do not entertain applications for a new loan when floated. This is a hardship for people where there is no Imperial Bank office or Government treasury. In being forced to buy later on at the market price he may be liable to a loss on account of premium. In my opinion the Government should arrange to receive applications for new loans through post offices.

(4) The time taken to put through a transaction through a sub-office is not less than 3 weeks and all this time the money which must invariably be deposited at the time of applying earns no interest. Transactions should be expedited and interest at the savings bank rate should be allowed on the money deposited in advance.

(ii) In this country banks as a rule do not give expert advice to the investing public, nor are they properly equipped to carry out the directions of their clients on the commission basis.

(iii) Agriculturists spend their surpluses in buying bullocks, land, improvement of dwelling houses, repayment of old loans, on social ceremonies or ornamentation. They keep the money with themselves pending expenditure.

Service holders and the middle class invest their savings in land, loans on personal security, mortgage or pledge, bank or postal deposits.

It should be noted that everyone with savings small or great is a money-lender (actual or potential) in this country. Even widows practise it.

(iv) Yes, farmers lend to fellow agriculturists and on less favourable terms than the mahajans. Often a prosperous agriculturist will borrow money from the mahajan not for his own use but to lend it to others and make a profit.

Question 4. (i) While it is true that the amount of cheques is on the increase as indicated by clearing house figures it is nevertheless a fact that the habit must be of slow growth here as it depends upon—

- (1) the expansion of banking facilities,
- (2) density of population,
- (3) relative importance of industries and agriculture,
- (4) literacy,
- (5) the scale of income and expenditure,
- (6) the proportion of wholesale to retail business,
- (7) the habits of the people in making payments, and several other factors.

(ii) It is expected to be encouraging. *

(iii) The commercial classes who have occasions to make large payments in big cities having proper banking facilities.

Payment of Government servants and other above Rs. 100 by cheques would be salutary if widespread banking facilities existed. At present similar cheques employed in paying certain classes of employees has a very limited use as they are almost invariably presented for cash.

The growth of the cheque habit depends upon many factors [see 4 (i)] and is incidental to the cheque habit.

(iv) Vernacular scripts should be employed when so desired.

Question 5. (i) It is too much to say that it is of very slow growth in view of the increase in Government loans from 145 to 358 crores and in the paid-up capital of joint stock companies from 80 to 254 crores, between 1913-14 and 1923-24. Under changed circumstances the pace of growth would have been quicker.

(ii) Lack of confidence has been the most important subjective cause of slow growth and this lack of confidence was the inheritance of pre-British days when there was no security of property and no settled legal principles. Illiteracy is another cause. Inadequacy of banking facilities is the most vital objective cause.

(iii) (1) Establishment of Investment Trust companies and extension of banking.

(2) Publication of approved books on the principles and methods of investment.

(3) Public lectures.

(4) Thrift campaigns like those carried on by the Treasury Department of the United States.

(5) Government propaganda (by advertisements) in regard to Government loans.

(iv) On the whole the opening of new branches by the Imperial Bank has been beneficial.

(1) It has given an impetus to banking development in the area.

(2) It serves as a model bank in the locality.

(3) It serves as a bankers' bank.

(4) There is a class of people in India who would believe none but the Government and this class has been enabled to have the services of modern banking, as in popular opinion the Imperial Bank is a Government Bank. I think, it is here that the Imperial Bank has rendered the greatest educative service.

124.

Mr. Sachindra Nath Sen Gupta, Professor of Economics, Rajendra College, Faridpur.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

There are three joint stock banks at the town of Faridpur. There are joint stock banks also at the subdivisional headquarters as well as at important choukies like Bhanga. A Bengal mufassal bank lends

mainly on the mortgage of land. A notable bank in this district, as its annual report informs us, has received a fixed deposit of about Rs. 27 lakhs at about 6 per cent. per annum and a current deposit of about Rs. 2½ lakhs at average rate of about 2 per cent. per annum, it has invested about Rs. 3½ lakhs in Government promissory notes and other Government securities at an average rate of 3½ per cent. per annum; has deposited with other banks more than Rs. 7 lakhs at an average interest of probably not more than Rs. 6½ per cent. per annum and has a cash of about Rs. 1½ lakhs in hand. Amongst loans granted by it to its clientele over Rs. 13 lakhs is on land and zamindari mortgage. There are about 2,000 shares of Rs. 10 each, amongst the holders of which the dividend is distributed. Though there was no abnormal loss in the year under review and though only a small amount of money was added to its sinking fund (and nothing to the reserve fund) there was no dividend paid. From these fundamental facts it seems probable that business is not progressing on true lines there and that the bank is not making much profit from its investments on land mortgage which seems to constitute the bulk of its investments. This is a typical bank in Bengal. The point to be noted here is that there is no genuine progress on right lines in indigenous banking in Bengal, and the reason is that the prospects of trade and industry are overlooked by these banks. The usual case in Bengal is that as soon as a (mufassal) joint stock bank has earned a reputation and has thereby succeeded in attracting a fairly large fixed deposit, it fails to pay any dividend. The reason seems to be that the directorate largely consists of men who are unacquainted with the nature of trading, industrial or banking business and with whom safety is all in all. But this is not banking. The result is the accumulation of a large unemployed deposit which eats up all profits. The Hilton-Young Currency Commission (1926) suggested in its report the desirability of building up a sound banking system in this country. It might be long before this country will have a good banking system, which depends first on good bankers and next on State patronage.

Advances to industrial concerns specially to the cottage industry are not made by the mufassal banks, because in the first place these banks have not the width of vision and foresight of fostering indigenous industries. Yet if the local industries could be developed they would have been the main pillars of these banks. As long as the mufassal banks would remain in the hands of inefficient men, cottage industries would receive little help from them. The economic condition of Bengal, nay of India, urgently needs the reorganisation of the local industries. They are not an anachronism even in these days of mass production and various sorts of industrial combinations. But capital is not the only thing wanting. For the development of these indigenous industries, the Government's Currency policy, fiscal policy and trade policy have all to be revised. Material support also is urgently required and the Government of Bengal ought to put into effect the State Aid to Industries Act without any further delay.

Part II.—Indigenous Banking.

Questions 1-4. Strictly speaking, there are no indigenous banks in Bengal. Banking business organised, owned and managed by one individual, as is to be found in Europe, is practically non-existent in

this province. Sowkars and mahajans cannot truly be called *bankers* as they deem it no part of their business to attract deposit and collect the more or less idle money around them. Their fundamental, if not the only, function is to lend money on security of land, on some occasions on personal security. When the money-lender elects to lend on a note of hand which is an unusual case, he makes sure first of all that the man has enough good land, and as soon as the crop is harvested he compels his client to repay the debt in full. The rate of interest is exorbitant, sometimes too high.

It will not be just to say that the mahajan in this district, or in this province in general, does not assist in financing agriculture, trade or small industries. His fault lies in his extreme greediness, over-cautiousness and relentless rate of interest. He is a shrewd observer of men and things and can understand very well which loan is intended for productive purposes and which not, and being a local man, knows his client, his capacities and antecedents well, but he is not broad-minded and far-sighted and looks only to his own immediate gain and nothing else. Yet he is (and will long be) the friend and guide of the peasant. Mr. F. D. Ascoli rightly says: "Out of every 150 agriculturists in India now, only one obtains the benefit of accommodation of a village bank (co-operative), and that for every rupee advanced by the village bank, Rs. 258 are still advanced by the mahajan."

The mahajan, since he mainly does business with his own capital, does not much observe any proportion between his investment and cash in hand. He employs agents around him in different villages and they supply him all business information. The amount of capital handled by the average money-lender in this district seems to be between Rs. 1,500—Rs. 4,000. Regarding expense it seems to be true that the money-lender is put to all sorts of expenses and vexations in some cases and that his investments are not always liquid. When the trouble, expense and costs of litigation, etc., are fully taken into consideration, it seems probable that in those cases though the nominal rate of interest is very high, the net return obtained is not much above what a modest rate would bring in. But cases like the above are exceptions now-a-days, and on the total volume of his business, the money-lender makes a good profit. Though competing with one another, there subsists between the mahajans of the same locality a feeling of amity, and reference is frequently made by one to another regarding the habits, solvency and business morality of an intending borrower. It is not unusual, further, on the part of a small money-lender to borrow from a bigger one and here the rate of interest is not much different from the corresponding rate in the mufassal loan offices and joint stock banks. Money-lenders in this district often borrow from loan offices and banks but seldom have they any connection with Calcutta banks or with the Imperial Bank of India. Hundis are handled by some money-lenders especially tradesmen money-lenders and by the dealers in jute for transferring money from a district town to Calcutta, but the Government is now playing a more and more prominent part in providing facilities for the transfer of rupees from place to place.

Questions 5-8. I am not aware of any village money-lender in this district receiving deposit and handing over anything like a cheque book to his client. Regarding his lending which is mainly on land-mortgage, he looks to his rate of interest first. If interest can be

regularly obtained he does not in many cases show any anxiety for the principal. Even if interest accumulates and is added to the principal every 2 or 3 years, he waits for some time longer and tries to get back his money by resorting, other means failing, to law before it is too late, i.e., having due regard to the party's debts and assets.

On mortgage of land not more than 40 per cent. of the estimated value can be obtained by way of loan. The rate of interest is 36 per cent. or so. If the loan is on personal security a 37.5 rate is not phenomenal. When the principal is paid and the interest is also received in kind, as is sometimes, though infrequently, the case here, the rate is something like Rs. 35—40 per cent. But here the loan is a short-term loan. An effort towards reduction of the rate of interest is of great benefit to the agriculturist though loans for unproductive purpose should not be much encouraged. Cheap money to a poor and illiterate peasantry is not an unmixed blessing, yet for an efficient carrying on of agriculture cheap credit is essentially needed. Efforts have simultaneously to be made for removing illiteracy and accustoming the cultivators to a higher standard of life that will lead to a higher standard of efficiency. An increase in the number of small local banks and loan offices scattered over the district would tend to lower the abnormally high current rate of interest exacted by the mahajan. Encouragement by Government in this most vital matter is long overdue.

These banks will attract deposit and lend at a reasonable rate of interest. The mahajans will cultivate acquaintance with these local (joint stock) banks and the peasants also will make use of them. The rate of interest will, under this state of things, quickly tend to fall.

There is much prejudice in every village against the mahajans, notwithstanding the fact that it is he who stands by the cultivator in his hour of difficulty. The reason for this is the mahajan's motive for dishonest aggrandisement, his usurious rates of interest and relentless exactions. Neither is his business always conducted on strictly honest lines: cases of documents not being returned even after the transaction had determined, payments not being regularly credited and compulsion for frequent addition of interest to principal in a new document are not infrequent in the law courts of most of the Bengal districts. The reason for this sort of treatment lies in the inequality of position of the parties and the extreme helplessness of the peasant. The mahajan, it may be expected, will mend his ways and conduct his business on sounder lines when there is a greater stress of competition. It would further be of real benefit to the country if these people could be persuaded to carry on their business as private limited companies, thus putting their business in lines with the local joint stock banks. A genuine banking spirit only can persuade them to change their policy. These people are to a certain extent protected in law in the sense that the courts do not go behind the contract and do not much dispute the validity of the interest that has accumulated, though according to a very high rate of interest.

Questions 10-11. The sowkar sometimes refuse demand for accommodation owing to an insufficiency of working capital, but more frequently on account of the unacceptable nature of the security offered. The business of this class of people could be linked with the central money market through local banks with local directorates numerous established at important trade centres of each district with

branches of the Calcutta joint stock banks and of the Imperial Bank wherever and as far as possible to serve as conduit pipe between the indigenous banking system and the Calcutta money market. The numerous local banks mentioned above will be in active touch with the money-lenders on the one hand and the branches of the Calcutta joint stock banks and of the Imperial Bank (where it exists) on the other. An efficient system of lending and borrowing amongst these three sets of organisations has to be evolved and this will go a long way in linking the local markets with the Indian money market. This seems to be a wholesome custom; the Bank of England even goes out into the market and borrows to regulate the money market. There will, of course, be some competition between the mufassal branches of the Calcutta joint stock banks and of the Imperial Bank with the local banks in the matter of attracting deposits and securing customers among money-lenders, but their superior position as banker's bank will alleviate bitterness and the competition will not be unwholesome and unconstructive. Branch banking is altogether unknown in India. The economic transition through which India is passing demands the opening of branches in good numbers by Indian banks of position and this will help to link the countryside with the cities in financial matter and actively tend to foster and develop internal trade of the country which is far greater in volume than her foreign trade and which has been and being badly neglected.

Question 12. The mahajans have surplus funds in their hand, not because of the largeness of their total supply of capital in relation to the agricultural and other local demands but because of their over-cautiousness. What part of this money, which is not required to be kept in hand for daily transaction of business, they would be willing and able to invest with local banks, if a closer relation between these two sets of business subsisted, cannot be accurately guessed; but if there is a fair degree of give-and-take, this idle money in the vaults of the mahajans might to a large extent find their way into these banks. Further, if these local banks had shaken off their conservative habits and short-sighted policy and could learn to take a genuine interest in encouraging and fostering the small industries and trade about them, this money would have been a great advance in right lines. As it is, a substantial portion of the idle money of the mufassal banks and loan offices flow to Calcutta as long-term deposits (1 to 2 years), as was witnessed after the Bengal National Bank collapse, two years ago.

Part III.—Investment Habit and Attraction of Capital.

Questions 1-3. For the encouragement of saving there are the co-operative credit societies and Post office savings banks (where they exist) and local banks, mainly at the district and subdivisional headquarters. There are also the postal cash certificates for sale. There is no other notable institution to attract deposit. The people living in and around a district or subdivisional headquarters as well as those around a ~~rural~~ post office or co-operative credit society, have facilities for the investment of their savings. As a matter of fact only the *bhadralog* section of the people resort to them. The peasants amongst whom literacy has not made any headway and most of whom are very poor, whether they dwell in the vicinity of or away from one or another of those institutions, do not make any use of them. The main

reason is that they live a standard of life below one necessary to cultivate a banking habit. To cultivate the habit of banking, the Bengal peasantry must emerge from their chronic poverty and ignorance, must have a higher standard of life arising from and in its turn again leading to a higher standard of efficiency. And for all this primary education is indispensable. It is a pity that even after a connection for over one century and a half with one of the greatest nations of Europe which has been shaping her destiny all the time, 93 per cent. of the population of British India are yet illiterate. Unless some efficient arrangement for imparting compulsory primary education to these millions be made, it will be unwise on the part of any institution on the land to try to ascertain what investment facilities they have or have not and to what extent the medieval habit of hoarding still lingers amongst them.

The Bengal peasant, as soon as he has put by a small amount of Rs. 5, tries to lend it to a neighbour and (borrowers are never wanting) at a high rate of interest though also at a high risk at the same time. This is practically the only means of investment with the larger mass of the peasantry. They also save in a good year in ornaments as well as in coin though it does not seem probable that any large amount of coin is lying in their hoard in this way. They also invest their savings in better housing as well as in agricultural outfit. Many of them also try to buy land, more often to sell them and the tin houses they made, as soon as an unfavourable tide appeared. The statement seems to be true that the peasant inclination to invest any large (in his estimate) amount of money in ornaments is less keen as it is often less easy to persuade the womenfolk to part with the same in times of need. These apart, the peasant in a good year spends money on unproductive purposes like horse, bullock and boat racing, criminal litigation, etc., of these the races are less condemnable being less unwholesome. Regarding investment in post office savings banks a degree of abhorrence among the Bengal peasantry is in evidence in many places on account of the fact that withdrawal of money always entails an irksome and difficult process. There is little or no use of the post office savings banks by the Bengal peasantry.

The postal certificates are not unpopular among the microscopic portion of the *bhadralog* class, their popularity directly depending on the rate of interest. The average mufassal bank of reputation generally receives fixed deposit at Rs. 6 or Rs. 6-8 per cent. per annum. So they are the effective competitors of the cash certificates. The joint stock banks as well as the mufassal banks and loan offices, not without some reasons, look with a bit of jealousy on these activities of the Government though it is also true at the same time that many of them cannot find adequate employment of their cash and so cannot pay any good dividend. The real cause of a large amount of cash lying idle in the vaults of the above banks may be attributed to the directors' ignorance of trade, their unwillingness to run risks and their over-cautiousness. However, a degree of jealousy there is, and the unwillingness of some mufassal banks to co-operate with the Government in matters of banking investigations is to an extent due to jealousy and apprehensions.

Questions 4-5. Cheques are used by the commercial section of the people as well as the men of means in cities like Calcutta, Bombay, Madras, Rangoon, Karachi, Cawnpore, and Lahore and its use in the

above cities has been gradually on the up grade, though owing to variations in the procedure of the clearing houses these figures do not accurately reflect the total business activity of this country.

Clearing Houses Statistics (in lakhs of rupees).

1918-19.....	4,32,19
1919-20.....	20,90,60
1920-21.....	29,76,54
1921-22.....	20,24,90
1922-23.....	20,60,08
1923-24.....	18,03,01
1924-25.....	18,06,36
1925-26.....	16,88,53
1926-27.....	16,09,57
1927-28.....	16,74,59

The abolition of the stamp duty under the suggestion of the Hilton-Young Commission has given increased facilities to those already using it but it has not extended its use in the lesser towns and villages. There are some actual difficulties in the way of an extensive use of cheques by the bulk of the trades and agriculturists, viz., (1) that they have to be drawn in a set form, (2) that a single mistake or erasure leads to their refusal and that (3) they cannot be drawn for small amounts. But the fundamental fact is that an extensive use of the cheque is possible only in a community which has reached a high stage of economic civilisation and is also blessed with a high level of business morality among its members.

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**Dr. Upendranath Chosh, M.B., D.P.H., District Health Officer,
Birbhum.**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (ii) The rates of interest charged in this district (Birbhum) vary from 15 to 24 per cent. per annum. The period for repayment varies from 6 months to several years in accordance with the purpose for which it is taken; generally it is 6-7 months. The nature of security is generally agricultural lands on mortgage but not the standing crops.

The percentage of secured to unsecured loans varies according to the amount of the loan. For sums less than Rs. 50 unsecured loans are the custom, and for sums greater than Rs. 50 security is required. The percentage of unsecured loans to secured loans seems to me 60 to 40 per cent. numerically and 40 to 60 per cent. in amount.

(v) The defects in the present system of financing seems to me (a) the high rate of interest charged by the indigenous bankers, (b) delay in obtaining the loan for the purpose for which it was meant due to the various processes of enquiring, finding surety, registering the mortgage deed, etc.

The remedies are (a) low rate of interest by the establishment of co-operative credit societies, (b) prompt payment of the loans by the central banks to the village banks (c) propaganda for the establishment of these banks and propaganda showing the superior merits of these banks over individual bankers.

Question 2. (iii) There are only two co-operative sale societies in Birbhum district. They are constituted on co-operative principle by the membership of local middle class men and linked to the central banks of this district. At present they are financed by the raising of share capital amongst the members and taking loan from central banks.

In my opinion although they do not experience much difficulty in finance yet their proper management suffers from (a) ignorance of the raiyats as to the existence of such banks, for want of propaganda and (b) want of confidence of the raiyats in such management.

(vi-b) It is true that the grower of produce in India does not get the full value always. In Bolpur town of Birbhum district there are no less than 22 rice mills and I have learnt that these mill owners have combined together with regard to the purchase of paddy from the growers and dictate prices to them. The grower has no other alternative but to sell his paddy to any one of these owners. For ensuring better market I think the alternative is to start co-operative paddy sale societies at these places, at least where there are rice-mills.

Part IA.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) Birbhum Central Co-operative Bank.

Suri Friends' Union Co-operative Bank.

(b) Rampurhat Central Co-operative Bank.

(c) Nalhati Central Co-operative Bank and Viswa Bharati Central Co-operative Bank at Bolpur.

Question 3. (i)—

		At Birbhum Central Co- operative Bank.	At Suri Friends' Union Central Co-operative Bank.
		Per cent.	Per cent.
For current amount	..	3½	..
For six months	..	5	..
For one year	..	6	6½
For two years	..	6½	6½
For three years	..	7	7½
Endowment	..	..	7½ compound interest.
Monthly	..	..	5

The longest period is 3 years.

Part II.—Indigenous Banking.

Question 2. In Birbhum district indigenous banks or bankers finance (a) agriculture to the extent of 15 per cent. of the total needs, (b) trade, very little to an extent of 2 per cent, and (c) industry to the extent of 25 per cent. of the total needs.

Question 7. (i) Yes, there is a prejudice, though to a lesser degree, in Birbhum district against the indigenous banker as he is decried by the people in the Bengali term "Soodkhore," which means interest-seekers.

(ii) These bankers are not sufficiently protected in law because they have been found to run after the debtors in order to avoid court which means lots of expenditure. I know of cases where the banker incurred the expense of Rs. 150 in order to have a decree of Rs. 100 only.

(iii) Yes, by (a) quick disposal of their cases at law courts, (b) arbitration at union court, (c) by giving quick facility in registering their mortgage deeds.

(iv) Yes, on sound lines when the investment is on secured loans.

(v) The existing defects are (a) time limit of hand notes, litigation, poverty of borrower, etc.

The suggestions for remedy are—

(a) Protection by increasing the limitation period to 3 years in hand notes.

(b) Disposal of complaints at union courts.

(c) Facility for quick registration.

(d) Low rate of interest to be paid by Government on floating loans

Question 8. (i) The means are quick disposal of their complaints in court and abolition of income-tax on those bankers who will lay out money below 4 per cent. of interest.

(ii) By registration of all indigenous bankers and linking them to other bankers as to their facilities in hundis, cash credit, etc.

(iii) Yes, only to those who will give loan on a small rate of interest.

(iv) I do not think there would be any objection provided the charge of registration be nominal irrespective of the capital.

Question 9. My idea is that in Birbhum district the net return is 12 per cent. per annum.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) The existing banking resources are post offices, Imperial Bank, joint-stock banks, co-operative banks, individual bankers.

(iii) For encouraging savings there are post offices, co-operative banks and joint-stock banks.

(iv) The public are not provided with full facilities.

(v) Yes, by opening a network of post offices and village co-operative banks in the villages.

(vi) It is a general practice amongst the Bengalees to hoard money by investing in silver and gold ornaments as well as in cash rupees.

Question 3. (iii) The richer class of Birbhum district keep their money at Calcutta banks or in Government securities. The money-lenders keep their currency notes at their iron chests.

The raiyats keep in silver coins at their houses for fear of fire at their thatched houses.

Very recently I have found an instance where a pleader and money-lender of this district died in September 1929 and on his death Rs. 24,000 in silver was dug out of a pucca closed hole kept apart from other sums at his possession. This money was kept apart solely for storing and it was never meant for his own use or of lending to others.

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Mr. Saral Kumar Dutt, M.L.C., Barisal.

[The answers generally refer to questions of the district. Wherever provincial questions are discussed, they are clearly stated in the answers. Some questions are not answered on the ground of ignorance or inability.]

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) The agriculturists of the district of Bakarganj generally secure loans from *mahajans* (professional money-lenders) or money-lending landlords and from co-operative credit societies (though to a small extent) for meeting expenses during cultivation.

(b) For capital and permanent improvements, very little is done by the cultivators. A very small number of them may get capital under the Land Improvements Loans Act in the colonisation or khas mahal areas.

(c) For other special needs, e.g., on failure of monsoon, agricultural loans are issued by the Local Government on joint responsibility. But this is seldom done at present and the system is known to be almost a myth. (Reference is made to the grant of agricultural loans at police-station Gournadi in Bakarganj.)

(ii) The rate of interest charged by the money-lenders ranges from 15 per cent. to 30 per cent. Loans are granted by them for one season and the security accepted by them is mortgage of lands or hypothecation of crops or both. Two methods of mortgaging lands are common among them—*Jaisudi* and *khai khalashi*. The former denotes that the products of the mortgaged lands are to be enjoyed by the creditor in lieu of interest till the loan is paid back in full, while the latter implies that the mortgaged property is to be given in the possession of the mortgagee for a certain definite period for the satisfaction of the loan, and on the expiry of that period the property is to be returned to the mortgagor free of encumbrances. The “ad interim usufruct goes to the creditor.” Vide “Landless Labourers of Bakarganj”—an article by Saral K. Dutt published in *Forward*, August 28, 1927. The *Jaisudi* system is falling out of use owing to some restrictions put upon it by the recent amended Bengal Tenancy Act.

The co-operative societies generally advance short term loans to their members on unlimited liability. Their rate of interest generally ranges from Rs. 9-6 per cent. per annum to Rs. 15 $\frac{1}{2}$ per cent. per annum.

(iii) The bulk of the agricultural finance is supplied by private money-lenders or money-lending landlords. The central co-operative banks have also begun to advance such finance through rural societies. There is no branch of the Imperial Bank of India anywhere in this district. The joint-stock banks, the indigenous banks and bankers do not render any substantial assistance in this line.

(iv) The professional money-lenders care very little for improving the condition of the agriculturists. They are more or less land-grabbers and delight in the adverse circumstances of the cultivators. "Sometimes the money-lender is entrusted with the payment of rents to the landlord, which he does for sometimes, always keeping an eye to the adversity of the cultivator. If an opportunity offers itself, the usufructuary mortgagee intentionally allows the rent to fall into arrears with the result that the landlord puts up the mortgaged property for auction sale for default, the mortgagee himself making the purchase. Thus he kicks out the tenant and himself steps into his shoes." (Vide Landless Labourers of Bakarganj.) So, the more these money-lenders are driven out of the field the better for the agriculturists. But this ought to be done very carefully lest there is paucity of finance and capital is made scarce.

There is also some defect in the method of financing through co-operative societies. (See "Aims and Ideals of Agricultural Co-operation in Bengal" by J. M. Mitra, M.A., Registrar of Co-operative Societies, page 4, paragraph 4.) Cheap credit instead of improving the solvency of the cultivators sometimes leads him to heavy liabilities. The cultivators are never used to a habit of thrift and mostly illiterate and, therefore, this system, instead of serving as a boon, may act as a curse.

I would recommend establishment of co-operative sale and supply societies in large numbers. The central sale and supply societies should organise village societies and finance them. The village societies should advance money to their members for purchasing bullocks, seeds or other implements of cultivation and put a lien on the standing crops of the borrowers. The money thus invested should be realised in kind during harvest times. The crops thus received will be stocked in the store-rooms of village societies and will be disposed of in the most profitable manner either amongst the members or to other purchasers, thus eliminating the middleman's profit. Practically this profit will be utilised by the members of village societies by virtue of their co-operative activities and they will be benefited by receiving their profit in the shape of dividends. The central society will have to help the village societies in clearing their stock, if necessary, by purchases for big dealers or for consumers' stores.

These sale and supply societies will also enable their members to get a good price for their products. The cultivators are generally ill off to hold up their products. Professional money-lenders really enjoy the profit of marketing and sometimes profiteer by cornering. These advantages of the money-lenders will permanently be banished, if sale and supply societies can successfully make hold-ups for their members.

(v) There is at present no co-ordination among the various credit agencies of this district. Some sort of co-ordination is necessary. There ought to be a federation of co-operative societies and the duties of that body ought to be—

- (1) settling of disputes among different societies;
- (2) adjusting of relations with regard to questions of jurisdiction or otherwise;
- (3) finding out new grounds for extending co-operative activities;
- (4) propaganda work by lantern lectures and big posters and charts;
- (5) miscellaneous;
- (6) arranging facilities for internal remittances.

Question 2. (i) The principal agricultural crops are jute and paddy. *As regards jute*, the following method is observed. "There are at present as many as four agencies between the cultivator and the mills or the export market. The *faria* buys small quantities and sells them to the *bepari*. The *bepari* who is financed by the *mahajan* or *araddar* passes it on to the baler" (vide The Barisal Exhibition and Some Problems of the District—Chapter Agriculture, page 9).

As regards paddy, the *beparies* go to individual cultivators and collect paddy and carry it to hâts for sale, whence the *farias* purchase for big dealers and exporters. The *farias* transport rice or paddy to the distributing centres from local hâts at an interval of three to seven days. Sometimes the individual cultivators bring their produce to the hâts for sale, where the *farias* make large scale purchases, e.g., Premananda Shaha of Barisal, Faria Patti, Barisal. In this connection I beg to invite attention to the observations of the Registrar of Co-operative Societies made before the Royal Commission on Agriculture. "The small *beparies* go in boats from door to door or to hâts and there they purchase the paddy which is carried by them to the big centres of rice trade such as Angaria, Baga, Champta, Neamati and Jhalokati. The huskers at those places purchase the paddy on one hât day and sell the husked paddy on the next hât day. The rice is then purchased by traders who either stock it or export it to Calcutta according to the demand. In many places, where paddy is not stored in *arat*, it is sold to local *dalals* who are generally paid Rs. 3 as *dalali* or commission per 100 maunds sold. Very often paddy dealers advance money on condition that principal and interest are repaid in kind. The rate of interest charged on these transactions is generally very high and the value of paddy in such circumstances has no relation to the market price." This great export trade is almost entirely in the hands of outsiders.

The raiyat is generally improvident and thriftless and not very solvent. He is unable to hold up his crops. He has to pay the *mahajan* heavy interest and the landlord his rent. So he is compelled to dispose of his products under pressure. He is thus always deprived of the advantages of holding up.

(ii) I think there is great possibility of forming pools on co-operative lines at exporting centres and different *bandars*. I beg to refer you in this connection to Moffit's "England on the Eve of the Industrial Revolution," Chapter VIII, Organisation of Distribution." Attempts might be made on the same lines as the clothiers of Leeds and Wakefield did on the eve of the industrial revolution. See also the Danish system of marketing on co-operative lines. See also P. Mukherjee, "The Co-operative movement in India," pages 166-176.

(iii) There are three agricultural purchase and sale societies of limited liability with 3,969 members and another central co-operative sale and supply society with twelve affiliated rural societies in different parts of the district. The rural societies are at present being financed by the central society. There is certainly stringency of funds owing to the inability of the central society to finance them. The bulk of the finance of the central society is derived from loans from Provincial Co-operative Bank of Calcutta. Co-operative sale and supply society is still in its infancy in this country. The public do not, therefore, have much confidence in this new enterprise. It needs greater backing of the co-operative provincial bank for financial help.

(vi) (a) and (b) I beg to refer to my answers to question 2 (i).

(vii) If borrower means "grower" I should suggest a reply on the following line. The ignorant and the illiterate growers of jute cannot make any forecast of the probable demand. It is the foreign market that offers terms and thereby dictates terms. Reference may be made to Mr. Sarkar's Council Debate, dated 15th December 1927, on "Export duties on jute."

Question 3. (i) The value of land per acre where miscellaneous crops are grown ranges at a minimum calculation from Rs. 600 to Rs. 700. The value of land per acre, where there are two rotations of crops, ranges at a minimum calculation from Rs. 400 to Rs. 450. The value of land per acre, where there is only one crop growing, may range at a modest calculation from Rs. 300 to Rs. 350. The calculation has been done on the basis of money-value of produce per acre and increasing it ten times on an average (refer page 10, Chapter Agriculture, The Barisal Exhibition and some problems of the District, and "Landless Labourers of Bakarganj" published in *Forward*, August 28 1927 and also J. C. Jack's "District Gazetteer" and also the same author's "Survey and Settlement Operations Report").

(ii) The value of land in Government auction for non-payment of revenue is generally the highest if the sale notification gets publicity as the land is sold free of all encumbrances, but in the event of sale by court decree the purchaser is required to have recourse to law for annulment of encumbrances under section 167 of the Bengal Tenancy Act and consequently the land will fetch a lesser value. In case of purchase by private negotiation, no uniform rate can be ascertained.

Question 4. (i) Formerly there was some legal impediment but that has been considerably removed by the amended Bengal Tenancy Act.

(ii) The amended Bengal Tenancy Act has greatly improved the credit of the agriculturist by granting him a right of transfer and such other rights as that of digging tanks, raising pucca buildings, cutting trees, etc.

(iii) The smallness and fragmentation of holdings certainly stand in the way of securing long term credit.

(iv) There is no land mortgage bank in this district.

(v) The question does not arise.

(vi) Land mortgage banks on co-operative lines ought to be started at once in this district. That might save a good many landholders of this district from financial ruin.

A reference is made here to the article of Dr. J. C. Sinha of Dacca University on Land Mortgage Banks, and also to the working of co-operative land mortgage banks of this province.

I should suggest the following points in running a land mortgage bank :—

(i) All loans of the party concerned should be liquidated by the land mortgage bank by giving advances from its fund.

(ii) The landed property should be mortgaged to the land mortgage bank.

(iii) The property should be managed by the land mortgage bank as is done by the Court of Wards.

- (iv) Such a bank should be empowered to issue certificates for recovery of arrear rents due by the under-tenants.
- (viii) All possible sources should be tapped. In the infant stage it cannot but count largely on funds from central institution. Debenture bonds are not issued by the local bodies of this district.

Question 5. (i) The rural indebtedness of Bengal amounts to about 60 crores of rupees. This statement was made by the Registrar of Co-operative Societies while giving evidence before the Royal Agricultural Commission (vide "Rural Indebtedness—600 crores in British India," an article written by Clemens Dutt, published in *Forward*, April 28 1928).

(iv) Barring out the last two items, all others are responsible for the rural indebtedness of this district.

(v) The professional money-lenders are, in the main, the creditors and the co-operative societies are also to a small extent.

(vi) The agricultural indebtedness is on the increase.

(vii) To a small extent.

(ix) There are eight Kabulis or itinerant money-lenders in this district. They have invested more than a lakh of rupees and the rate of interest is generally charged at 150 per cent. per annum. They invest money on demand promissory notes and realise money by intimidation and sometimes by coercion even.

(xi) When a money-decree is passed in a law court, the trying court sometimes takes into consideration the provisions of the Usurious Loans Act in forming a judgment. But this has recently been circumvented by a High Court circular. An amendment of the Usurious Loans Act is necessary to make it obligatory.

(xii) No standard rate of interest is followed by courts in either of the cases.

(xiii) Yes. I do not know any other way.

(xiv) Vide answer (v) of question 1—my observations on the establishment of sale and supply societies.

(xv) The quantity of paddy, charged as interest in such cases, ranges from an equal amount of paddy advanced as loan to one-fourth of the quantity lent out.

(xvi) Yes.

(xvii) Not necessarily, it is sometimes due to ignorance and habit of following the stereotyped way.

Question 6. (i) Only *gur*-making and garden produce are extant.

(ii) The raised land of the district is particularly suitable for date-palms, of which there are about 10½ lakhs according to settlement report of 1915. There seems to be a very considerable future for systematic cultivation of date-palms in orchards and for the treatment of the juice in iron sugarcane mills. The boiling pans and mills hired out by Messrs. Renwick & Co. of Kustia have already been tried in some parts of Bengal with excellent results. Garden produce ought to be improved by raising them scientifically by the use of manure and other necessary improvements.

(iii) In answer to this question I would refer you to pages 21 to 26, Chapter on Industries in "The Barisal Exhibition and some problems of the District." There are some very good suggestions.

Rice-milling might be taken up with the introduction of S. C. Mitter's Rice Husking Machine, Government Industry Department, Free School Street, Calcutta. The cost of such a machine will not be more than Rs. 25.

Babu Nares Chandra Deb of Hijaltala, Barisal, has made two inventions: Ball thread making machine and *satti* root pulping machine. These can be usefully employed in preparing *satti* food and ball threads.

(iv) From co-operative banks.

Question 6A. (i) From loan offices, joint-stock banks and private money-lenders.

(ii) By granting State-aid to industries (vide S. C. Nalini Ranjan Sarkar's proposed State-Aid to Industries Bill) and by protection—Vide S. C. Mitter's (Industrial Engineer's) Note before the Tariff Board.

Question 6B. (i) Some facilities are afforded by loan offices, joint-stock banks and co-operative banks and professional money-lenders.

(ii) The purposes for such loans are:—

- (1) family provision;
- (2) marriage, Sradh and other social occasions;
- (3) litigation;
- (4) repayment of earlier debts.

The rate of interest in cases of secured loans are 9 per cent. per annum and in cases of unsecured loans varies from 12½ per cent. per annum to 18 per cent. per annum.

(iv) Yes, on the increase.

Question 7. (i) There is practically no relation existing between these different types of credit agencies.

(vi) Yes, it is desirable that such financial concessions should be granted to stimulate the growth of the co-operative movement. The primary societies may be allowed to have recourse to certificate procedure for recovery of loans instead of going to civil courts for execution of decree.

Question 7A. (i) Co-operative central banks should not be permitted to grant loans to individual members, but might do that to the depositors in special cases.

(iii) No.

Question 7B. (i) There has been a falling off of interest on secured loans.

(iii) The factors that operate against the rapid spread of co-operative banks in rural areas are:—

- (1) Mischievous propaganda of the money-lenders and the money-lending landlords.
- (2) Ignorance and illiteracy.
- (3) Difficulty of communication and inaccessibility to the headquarters of the district.

- (4) Want of expert co-operators and paucity of departmental staff.
- (5) Communal feelings.
- (6) Want of propaganda and demonstration on co-operative lines.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) (1) Barisal Rinadan Samity, Ltd.

(2) Barisal Loan Office, Ltd.

(3) The Khairabad Loan Office, Ltd.

(4) The Popular Loan Office, Ltd.

(5) The Sholak Loan Office, Ltd.

—these are the loan offices at the district headquarters.

(b) There is one loan office at Patuakhali subdivision, The Patuakhali Loan Office, Ltd., and another at Perojpur subdivision known as Perojpur Loan Company, Ltd. There are two loan offices at Bhola and one at Jhalakati.

Question 2.—

	Paid-up Capital.	Reserve Fund.	Short-term deposits (not exceeding one month.	Intermediate deposits (repayable within two years).	Intermediate deposits.	Long term deposit.
	Rs.	Rs.	Rs. A. P.	Rs. A. P.		Rs.
The Perojpur Loan Co., Ltd.	20,000	6,000	10,609 0 0	(Deposits are not accepted for more than two years' notice). Nil	..	28,000
The Patuakhali Loan Office, Ltd.	12,000	4,000	Nil	Nil	..	20,917
The Sholak Loan Company, Ltd., Barisal	13,811	1,000	578 15 0	11,013 8 0	..	38,605
The Popular Loan Office, Ltd., Barisal	12,615	Nil	302 0 0	2,861 0 0	..	
The Khairabad Loan Office, Ltd., Barisal.	15,485	6,500	13,365 0 0	7,925 0 0	..	
Rindan Samity, Ltd.	..	..	86,848 12 4	4,22,053 0 9	..	
Barisal Loan Office, Ltd.	21,325	..			..

	Paid-up Capital.	Reserve.	Remarks.
	Rs.	Rs.	
Bhola Loan Association, Ltd.	..	15,622	4,500
Bhola Rindan Office, Ltd.	..	It exists in name only.	

There is no deposit repayable till after two years.

Question 3. (i) 9 per cent. per annum at five years' notice.

8½ per cent. per annum at four years' notice.

7½ per cent. per annum at three years' notice.

7½ to 6 per cent. per annum at two years' notice.

6½ to 4½ per cent. per annum at one year's notice.

3½ per cent. per annum at three months' notice.

3 per cent. per annum at seven days' notice.

(ii) Five years.

Question 4. (a) There is practically no sum invested in Government or other marketable securities. One loan office, namely, Rindan Samity, has invested a portion of its reserve in Postal Cash Certificates and Government securities.

(b) Loans against immovable properties form a great portion of investments: nearly 40 per cent. of the total funds.

(c) Advances to industrial concerns are practically nil. Parties utilise loans sometimes for industrial purposes and pay them back with interest.

(d) Loans on personal securities form the bulk of investments and they come up to 60 per cent. of the total funds.

(e) Loans against jewellery are 1 per cent. of the total funds.

(f) Negligible proportion.

Question 5. (i) No hard and fast rules are observed. Rates of interest on loans:—

Rupees 15 to 19½ per cent. per annum on land mortgage. Rupees 12 to 15 per cent. per annum on ornament security. Rupees 18 to 22 per cent. on pro-note.

(ii) Yes: 18 per cent. to 25 per cent. per annum. It is charged yearly.

(iii) No such rule is generally followed.

(iv) No such conditions are laid down in loan offices.

Question 6. (i) No.

(ii) Certainly they cannot do it better than the co-operative societies.

Question 7. Strictly speaking instead of banking these loan offices take to money-lending.

Question 8. (i) Usually less than one-fourth of the profits is set apart as reserve. This fund is generally placed in other banks of longer standing or on very good and safe investments or in "double locks" or in Government securities or postal certificates.

(ii) The rates vary from 5 per cent. to 15 per cent.; only Rinadan Samity declared a dividend of 18½ per cent. in 1927-28.

Question 9. (i) There is no uniform standard.

(ii) Yes.

Question 10. I admit the desirability of such a scheme. Attempts are already being made in that direction.

Question 12. One case. One loan office, known as Barisal Bank, Ltd., had met with dismal failure. The causes of such a failure were (1) lack of supervision, (2) unsafe and bad investments, (3) speculations, e.g., starting a weaving factory and financing it.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) The banking resources of this district are very poor and insignificant.

(ii) The means are not worth mentioning. The Central Bank authorities tried to introduce home-safe boxes and I do not know how far they have succeeded in popularising it.

(iv) No.

(v) Yes.

(vi) The Muhammadans of this district invest in silver ornaments and the upper middle class in gold.

Question 2. (i) Not very popular, their popularity will be increased if their value is raised.

(ii) Yes.

(iii) The Savings Banks render facilities to the localities where there are post offices. But a great portion of this district has no postal arrangement.

(iv) Literate upper and lower middle class people.

Question 3. (i) Only Cash Certificates are available here.

(ii) No other facilities.

(iii) Illiterate agriculturists, if they are in a position to hoard money, keep their deposits buried underground. They generally spend this money in ornaments and sometimes in litigation. Literate middle classes make small deposits in Savings Banks for family provision. They sometimes spend this money in purchasing life insurance policies or endowment policies.

Question 4. (i) Growth of cheque habit is exceedingly slow.

(iii) High Government officials sometimes make payments by cheques.

(iv) Vernacular script ought to be used in banking. The Co-operative Department encourages this idea.

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Mr. Nirmalshib Banerjee, Zemindar, Honorary Magistrate, Labpur, District Birbhum.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) The agriculturists in this district (Birbhum) obtain finance for expenses during cultivation by borrowing from the local money-lenders. Sometimes they purchase manures such as oil-cakes, sulphate of ammonia, etc., from the dealers on credit system at a rate much higher than the prevailing cash rate on condition of re-

payment by sale of the produce of the land. Sometimes middlemen give them advances against the prospective crops which they are compelled to sell to these middlemen at a considerably cheap rate.

(b) The majority of the agriculturists are too poor to be able to spend money for capital and permanent improvements.

Whenever they do it they borrow money from the local money-lenders. Sometimes they obtain takavi loans and sometimes they borrow from the co-operative banks but owing to the initial difficulties of securing these loans the agriculturists rarely resort to these last two sources.

(c) To meet special needs, e.g., failure of monsoon for land revenue or rent, etc., the agriculturists have to borrow from the money-lenders. Government agricultural loans and loans from co-operative banks meet only a fractional portion of their requirements. Sometimes the poorer section have to borrow from itinerant money-lenders, such as Kabulis at an enormously high rate of interest.

(ii) The rates of interest vary according to the nature of the security, credit of the borrower, number of local money-lenders, etc.

The loans are taken for short as well as for long period both landed properties and movables as well as standing crops are given and accepted as security.

The percentage of the secured and unsecured loans may roughly be estimated as 75 and 25 per cent.

(iii) In this part of this country the Imperial Bank of India and the joint stock banks play no part in agricultural finance. Government agricultural loans meet only an insignificant portion of their requirement. Co-operative banks render a little better service, indigenous banks and bankers do not go for much. Professional money-lenders play the principal part in this respect about 75 per cent. of the agricultural loans being advanced by them. The places of the merchants and dealers are next to professional money-lenders.

(iv) In my opinion a capital of 10 to 15 lakhs may serve the requirements of the agriculturists of this small district.

(v) The present system of financing agriculture is hopelessly defective. The poor agriculturists are left at the mercy of the exacting money-lenders, dealers and merchants. They have to pay high rates of interest to the professional money-lenders and when they take advances from the dealers and merchants against their crops they have to sell their produce at a considerable loss.

Loans should be made available to the agriculturists at a low rate of interest say at 9 per cent. and this can be done by Government granting extensive agricultural loans or by co-operative banks starting branch in important agricultural centres for this purpose.

Question 2. (i) The raiyats in this district sell their surplus produce in the nearest market individually, and in cases where advance has been taken against crops from the dealers and middlemen, to these men at the previously stipulated rate which is necessarily below the prevailing market rate.

In most cases the raiyats are unable to hold up their crops for better price as they are pressed from all sides for payment such as landlords' demand for rent, arrears of bazar dues on account of necessities of life, pressure from other creditors, etc.

(ii) If co-operative sale societies are established with branches in every Union of villages with sufficient capital to advance money to the raiyats against their crops to meet their pressing necessity they may be induced to sell their surplus produce through these agencies at the best possible market. To popularise such societies the raiyats should be educated through propaganda and public lectures so as to convince them of their utility and advantages.

(iii) I am not aware of any co-operative sale society existing in this district.

(iv) (b) The suggestions seem to me based on facts. Speculative buying and selling activities of the firms and companies dealing in export trade control the price. They lower the rates at a time when the producers are compelled by necessity to sell their products to meet the pressing demands of the creditors, landlords' rent, etc.

Question 3. (i) In this district the prices per acre of land producing only rice vary from Rs. 200 to Rs. 300 and of lands producing rabi crops as well as rice from Rs. 300 to Rs. 600 according to locality. Lands of inferior quality sell at much lower rates.

(ii) The income from the land, its quality, situation, and the number of bidders determine the prices.

(b) Ditto.

(c) Ditto.

Question 4. (i) Where is no legal impediment to mortgage of land and agricultural holdings in their district.

(ii) The recent amendment of the Bengal Tenancy Act having empowered the raiyats to transfer the entire jote, their credit has been slightly improved as the money-lenders may now safely advance money on the security of the entire jote which is now saleable by law.

But the right of pre-emption given to the landlords by the recently amended Act has taken away the advantages to some extent. This clause in the Amendment Act is a new impediment to the tenants, credit payment of landlords' fee at the time of registration has lowered the value of lands.

(iii) The smallness and fragmentation of lands are really a drawback and lower the price of the holdings but in spite of this long term credit institution if established may work with success.

(iv) In this part of the country there is no bank which gives facility to the agriculturists save and except the co-operative banks.

(v) Agricultural banks should be established in every district with branches in each thana for financing the raiyats against the mortgage of their holdings or against the security of standing crop or moveables and for advancing money to small landlords against mortgage of their properties or against rents recoverable at a reasonable rate of interest.

Question 5. (ii) Such estimates may be obtained with reasonable accuracy through the help of the Union Boards which bodies should be asked together with the information by visiting local villages under their jurisdiction or this may be done through circle officers.

(v) The debts of the agriculturists are mostly due to professional money-lenders and only a small portion of it to co-operative banks.

(vi) Agricultural indebtedness is increasing rapidly.

(ix) Itinerant money-lenders such as Kabulis, Punjabis, etc., are found doing money-lending business here and there in this part of the country. They generally confine their business to the poorest of the agriculturists say labourers, small artisans, etc. They advance small loans mostly without any security whatsoever at an enormously high rate of interest, sometimes as high as cent. per cent. and they realise the interest regularly even by show of force when necessary, but they seldom press for repayment of the principal so long as the interest is regularly paid.

(xi) The agriculturist classes being ignorant of the provisions of the Usurious Loans Act, can hardly avail themselves of the protection afforded. The provisions of this Act should be widely circulated among the agriculturists through vernacular pamphlets distributed through the agency of the Union Board, etc.

(xiii) Yes.

(xiv) "Golas" or store houses may be maintained by co-operative banks in every Union of villages for lending paddy seeds to the agriculturists at a reasonable rate of interest.

(xv) In this district the rate of interest for paddy loan varies from 25 to 50 per cent. according to locality.

(xvi) The rates of interest on money loans vary from 12 to 24 per cent. per annum and if the interest is not paid annually compound interest is charged in many cases. When loans (principal and interest) are not amicably realised creditors seek help of the Court..

(xvii) Yes, it is a fact.

(xviii) Yes when the actual cultivator loses his permanent interest in the land, he does not generally care to improve or maintain its fertility—by adding sufficient manures as he is not sure of cultivating the very same land next year. Consequently the process takes away the incentive to produce more and in an efficient and better manner.

Question 6B. (i) Day labourers, fishermen, artisans, etc., possessing no immoveable properties, obtain small loans by pawning their utensils, ornaments, cattle and other moveables, to the local money-lenders and at places to the Kabulis and other itinerant money-lenders at an enormously high rate of interest.

Small traders, service holders and middle class gentlemen obtain loans, on the security of their properties both immoveable and moveable, from the money-lenders.

(ii) Day labourers, fishermen, artisans and others have sometimes to incur loans to provide themselves with their daily necessities or to meet their occasional wants—such as marriage, etc. They have to pay very high rate of interest varying from 18 to 31 per cent. Small traders have to borrow for their working capital as well as for occasional wants, such as marriage expenses, medical treatment, etc. Service holders and middleclass gentlemen have sometimes to borrow to meet their daily wants, e.g., food and clothing and often to meet occasional wants, e.g., medical treatment, marriage expenses, etc. They have to pay interest varying from 12 to 18 per cent. according to their position and nature of the security offered.

The interest on unsecured loans is generally 25 to 50 per cent. higher than that on secured loans.

(iii) Government co-operative bank and joint stock banks render little financial help to these people.

If co-operative banks establishing branches in every Union of villages give loans to these people at a moderate rate of interest, I think the condition of these people may be ameliorated and the Banks may earn a good return.

(iv) The indebtedness of these people is gradually increasing.

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Rai Bahadur Sarada Charan Ghosh, M.A., B.L., Government Pleader, and Mr. Surendranath Sen, B.L., Mymensingh.

General review.—On the whole our view is that most of the cultivators live in a chronic state of indebtedness. A handful of cultivators have amassed money, not by selling the produce they grow, but by lending money, engaging in petty trades, working as *farias* and shopkeepers, and by service as village tahsildars of their landlords. Their number in a village can be counted on the fingers. After a generation their children, and specially those who have received a modicum of education, cease to cultivate land and become rent receivers. The rest of the cultivators live from hand to mouth and there is scarcely a family among them which is free from debts.

Roughly speaking, there are about a lakh of cultivating families in the Sadar subdivision of this district. Out of them about 12 thousand families have organised themselves into co-operative credit societies which get financed by the Central Co-operative Bank of Mymensingh and their working capital is about 17 lakhs.

All this money is not employed in agriculture, but the greater portion of it goes to the liquidation of their old debts. Very few members of the village co-operative banks, if any, have been able to free themselves from their debts to the banks, for as old debts are cleared off in part, new debts are incurred for carrying on the work of cultivation. Even when they do not need borrowing for strictly agricultural purposes they borrow from their banks to purchase lands, because they can get money at low interests. Except in a very few cases, the indebtedness of the village co-operative banks to the Central Bank is increasing year after year. This is, however, not regarded as alarming inasmuch as the assets of the individual members are increasing also by purchase of new lands.

In spite of the relief that village banks under the Co-operative Societies Act can afford to the cultivating class, the co-operative movement is not showing satisfactory progress in the village areas. The main reason is the want of a co-operative spirit, mutual distrust and the fear of joint responsibility. Many of these cultivators are so hopelessly indebted that they would not be admitted into any co-operative society. These families, after a few years of ineffectual struggling, sell their belongings and migrate to places where there are still virgin lands for reclamation, which they can obtain on easy terms.

Chronic poverty with its concomitants of malaria and other diseases so weaken and enervate their constitution that they lose all initiative and energy and are filled with despair. The law of inheritance and the excessive subdivision of holdings automatically drive a number of men every year beyond the margin of subsistence and turn them into labourers, but no remedy can be devised to save these people.

Professional money-lenders, whether traders or cultivators, who lend money on mortgages have their eyes on the lands rather than on the money lent. The interest they charge is usually compound interest. Though the due date that is fixed is short, yet they scarcely disturb their debtors and allow the interest to accumulate till the debt becomes equal or nearly equal to the value of the land. Unintelligent and needy cultivators rather feel relief in not being disturbed too often and in being able to choose their own time of payment. Once a man goes to a money-lender he falls into his clutches for good, and it is the money-lender who becomes his permanent financier. Whenever any money is needed, he supplies the money and compels the debtor to sell his goods in any market to realise a portion of the debt.

In our opinion the financial position of the cultivators can only be improved by the establishment of village banks under proper supervision. Without adequate supervision they will come to grief and cause widespread panic, but with proper supervision under Government guidance they will become popular. The professional money-lenders will then disappear and there will be a reduction of interest all throughout. These banks should be of the joint-stock type and should not insist on joint liability. So far as our information goes, the joint-stock banks or loan offices that have come into existence, though they charge high rates of interest, are getting regular payments and are thriving well. They have few complaints of default of kists on the part of the cultivators.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The system by which agriculturists in this district obtain finance is, generally speaking, as follows:—

(a) They require money for the purchase of cattle and the hiring of labour with whose help they carry on their agricultural operations. Usually they purchase cattle at the beginning of the ploughing season and dispose of them after the season is over. In the Bhairab quarter ploughing season begins in the months of Pous and Magh and ends in Chaitra and Baisakh, and the cultivators purchase cattle in Pous; whereas the cultivators of the Tipperah district, where ploughing begins from Baisakh and Jaistha, purchase their cattle in Baisakh. As the ploughing season is not the same all over the district, the time of purchasing and selling cattle varies in different parts of the district. The money they require for the purchase is generally procured by borrowing. They usually borrow from the village Mahajan and the interest varies from one to three rupees per hundred per month. For petty borrowing, no mortgage is necessary. Money is also needed to pay labourers where they are hired for ploughing, weeding, etc. These are petty sums which also are raised by borrowing from the village Mahajan at a very high rate of interest varying from two pice to eight pice per rupee per month.

(b) Scarcely any money is spent for capital and permanent improvements and they do not borrow for any such purposes.

(c) They scarcely borrow for paying landlords' rent; but when arrears accumulate they execute bonds in favour of their landlords. In case of failure of crops they have of course to borrow and they borrow from the village Mahajan and usually on the mortgage of lands. Now-a-days loan offices are being organised on an extensive scale and

they are gradually taking the place of the village Mahajan. But the interest they exact is enormously high, the usual rate varying from Rs. 3-2 to Rs. 6-4 per cent. per month, the first three months' interest being deducted from loan. Where there are co-operative societies loans are obtained at comparatively low rates of interest Re. 1-4-10 per cent. per month. But the agriculturists avoid these societies generally because of the joint responsibilities which they have to undertake. The habit of acting in co-operation has not taken any root among the cultivating class, the tendency being generally individualistic.

(ii) Usually the village mahajans insist on the execution of mortgages when loans exceed Rs. 100. Roughly speaking, 70 per cent. of the loans are secured and 30 per cent. unsecured. This we could gather from consultations with some of the secretaries of the co-operative societies and the village Mahajans of this district.

As regards the period of loans, a nominal period is mentioned, the loans being generally payable in the month of Aswin or Chaitra of the year in which the loan is taken, but the debtors scarcely consider it obligatory to observe the due date. Loans are scarcely taken on hypothecation of crops. The usual forms of mortgage are the simple mortgage, *kot-kobala* and usufructuary mortgage combined. *Kot-kobala* has been prohibited by the new Bengal Tenancy (Amended) Act and probably pure usufructuary mortgage will take the place of *kot-kobala* in future.

(iii) So far as we are aware very little part is played, if any, in agricultural finance by Government and the Imperial Bank of India. It is only at the time of extensive famines that the Government gives "Taccavi" advances. The Imperial Bank does nothing. There are no indigenous banks. There are co-operative societies in some villages, but most of the members thereof joined the banks with heavy debts on their heads and most of their borrowings from the Central Bank are exhausted in paying off their old debts. As observed above joint-stock banks, in the shape of loan societies and the village Mahajans which include trading Mahajans, are the principal financiers of the agriculturists. There are no companies trading in fertilisers, etc.

(iv) In our estimate, the total amount of capital that would be required in this district for the various purposes outlined above, would be nearly 5 crores of rupees.

(v) Practically, there is no "system" in the financing of agriculture in this district. The principal defects are the want of capital available to the agriculturists at easy interest and the absence of organisation for financing agriculture except the few co-operative societies now existing. But, as observed before, the want of co-operative spirit in the agricultural population stands in the way of their utilisation.

(vi) There is no co-ordination amongst the various credit agencies including the Government.

Question 2. (i) The principal crops of the district are jute, paddy and cereals. As regards paddy and cereals, they are usually sold in the nearest market and stored by mahajans and then exported. The district is very poor in water communications and roads, and the only mode of conveyance is by country ponies and carts. Cultivators cannot get fair price for the crops. With regard to jute, the same remarks apply. The cultivators find themselves obliged to sell their jute as soon as they are reaped to pay their debts and rents and also to meet their necessities till

the winter paddy is harvested. There are no co-operative sale societies except the few organised under the Co-operative Societies Act. These societies have very recently been started, and we do not know how they will work and how far they will succeed. Cultivators cannot hold up their crops for better prices because most of them live from hand to mouth. The average holding of a cultivator is less than 3 acres.

(ii) Propaganda and education may produce some beneficial results.

(vi) (a) Export and import trades are generally in the hands of merchants and dealers. They are usually moneyed men and work with their own capital, and they are also financed by big firms in central places like Dacca and Calcutta. There are also traders of small means who work with borrowed capital. The growth of banks is undoubtedly needed for better movement of crops.

(vi) (b) It is undoubtedly the case. So far as jute is concerned the grower is entirely at the mercy of the jute merchants both Indian and foreign. The selling and buying of jute by these merchants is usually of speculative character. They are always in a position to dictate the price and the cultivators are helpless. It is, we fear, impossible to remedy this evil unless the entire jute is so organised that the cultivators can dictate their own price. But this is almost a counsel of perfection in a country like India.

(vii) The lack of banking facilities, we think, is mainly due to two causes :—

(1) borrower's lack of credit;

(2) want of definite standard of quality.

There is no monopoly tendency in this district.

(viii) There are no existing facilities available to the public including banks and bankers for internal remittances except the Post Offices. If there is a network of private banks with mutual credit between them, the difficulty may be removed to a considerable extent.

(x) Except hundis, there are no other forms of negotiable instruments in the district employed in internal trade.

(xi) We do certainly suggest a more extensive use of bills by reduction of the duty.

(xii) There are two classes of hundis in use, namely, "Darsani" (payable at sight) and "Muddati" (payable on the due date). The drawers are generally Calcutta Aratdars or firms. Within the district itself, they are not in use.

(xiii) We do not think that the introduction of standardised forms of hundis will improve matters. They may still be attended with risks.

(xiv) Hundis in favour of Calcutta merchants are discounted here by private bankers and the Commercial Bank of Mymensingh which is a Joint-stock Company.

(xv) Only Railway receipts are employed as instruments of ownership of goods. But they are generally used for transactions with Calcutta merchants.

(xvi) We know of no instances of the use of Bills of Lading issued by Inland Steamship Navigation Companies as documents of title and this is not a river district. We have no suggestions to make for facilitating their use.

Question 3. (i) Generally the price of lands, which grow both jute and paddy, varies from Rs. 400 to Rs. 600 per acre.

The price of lands which grow jute only varies from Rs. 300 to Rs. 400 per acre.

The price of lands which grow paddy only varies from Rs. 300 to Rs. 500 per acre.

(ii) The value of lands varies with the kind of crops usually grown as shown above. Persons buying lands near their homestead or adjacent to their other lands will offer a better price than if they are to purchase lands at a distance. The size of the plot is also a factor in the price, small plots fetching less value than big plots.

(ii) (a) The lands sold by Government for arrears of revenue are not generally holdings but estates and tenures. Only in Khas Mahals agricultural holdings are sold and they fetch the same price as Court sales.

(b) Court sales usually fetch low prices.

(c) The best price is always obtained by private negotiations.

Question 4. (i) After the passing of the present Bengal Tenancy Amendment Act, there is no legal impediment to mortgage of agricultural lands and holdings.

(ii) Certainly the Bengal Tenancy Act, as amended, has increased the credit of agriculturists.

(iv) There has been of late a crop of loan offices financing agriculture. They may be regarded as mortgage banks or agricultural banks. But the object of these banks is not to benefit the agriculturists but to benefit the shareholders. The interest usually is Rs. 3 per cent. per month. It is only the co-operative societies established under the Co-operative Societies Act which lend money at moderate interest.

(v) The loan offices usually borrow money for six months or for a year or for three years, and the interest varies from Rs. 5 to Rs. 8 per cent. per year according to the duration of the loan, and they lend at interest as indicated above. How far these banks will survive a general panic it is difficult to say. They scarcely attempt to create a reserve fund and they distribute nearly all their profits as dividends.

(vi) In our opinion there should be a network of banks established and carried on sound lines, building good reserve funds and commanding better credit than these loan offices are doing. The East Bengal Commercial Bank in the town of Mymensingh is the only Joint-stock Bank that is working on proper lines, but it is not financing agriculture directly.

(vii) (a) Agricultural banks do find difficulties in verifying the title of the debtors to the lands they want to mortgage. The maintenance of the record of rights and the reduction of costs of reference will undoubtedly facilitate the working of the banks. If union boards are charged with the maintenance of village records and safeguards are devised against destruction by fire, cyclone, theft, etc., and if the banks are given facilities for reference to those records, the banks' risk will be greatly minimised, and it is possible that there will be a reduction in the bank rates of interest.

(b) The simplification of the process of foreclosure and sale will be a great boon to the banks.

(viii) The loan offices that lend money to agriculturists on the security of land may be regarded as mortgage banks (though they also lend money without landed security) and should work under the same laws and rules, which will apply to any mortgage bank proposed to be established.

These loan offices derive their working capital from deposits in current account and for a fixed period. There is no difference between these deposits and ordinary loans, but they do not issue debentures. They should be allowed to continue and develop on their own lines. They pay interest to the depositors at rates slightly higher than the Co-operative Central Bank. They charge very high rate of interests varying from Rs. 2 to Rs. 4 per cent. per month, but if they get better security the rate will, it is hoped, automatically come down.

If a Central Mortgage Bank be established, say, at Calcutta with these loan offices (many of which call themselves banks) as feeders, it may issue debentures.

Question 5. The way in which we have formed a rough estimate of the indebtedness of the cultivators is as follows :—

There are about 45 lakhs of people in this district. About 80 per cent. of these (36 lakhs) are cultivators. Taking a family consisting of eight members, there are about $4\frac{1}{2}$ lakhs of families of cultivators, and we have taken the average indebtedness of each family as Rs. 200, which probably is an under-estimate.

Again, there are co-operative credit societies in this Sadar subdivision of this district with 12,000 members or families and their debts to the Central Bank is about 17 lakhs, and the average indebtedness of these families to these banks alone is Rs. 150 a family. The total indebtedness of the agriculturists of this district may roughly be taken to be 5 crores.

(iv) Debts are contracted by agriculturists for all such purposes as mentioned in question 5 (iv), except (h) and (i).

(v) Generally, professional money-lenders head the list of financiers.

(vi) We think that the indebtedness of the cultivating class is on the increase, due to the increase of population without a corresponding increase in the means of living and the subdivision of holdings.

(vii) The provisions of the Loan Acts of 1883 and 1884 are not availed of except rarely by the agriculturists, and it is only at the time of cyclone and famine that there is a demand for such loans.

(ix) Kabulis as itinerant money-lenders are not so conspicuous in the district, but the up-country Hindus (known as Deshwalis) have established themselves as money-lenders throughout the district. Kabulis do not appear here in the role of professional money-lenders. They generally come here in the winter with warm clothings for sale, which they sell to the villagers for short-term credits at very high interest.

(xi) The Usurious Loans Act has been rendered practically nugatory by the decisions of the High Courts and Privy Council and things now remain practically in the same position as they were before the passing of the Act.

(xii) Before the recent cases under the Usurious Loans Act, courts used to apply it freely, allowing interest usually at Re. 1 to Re. 1-8 per cent. per month.

(xiii) No complaints have come to our notice about Mahajans taking bonds for larger sums than actually advanced for fear of the Usurious Loans Act.

(xiv) In normal times there is no need of seed-supplying societies. If the villagers can obtain money for purchasing seeds and bringing paddy for their needs during the latter part of the cultivating season they can purchase seeds and paddy in ordinary markets.

(xv) Paddy loans are very scarce. But in places where such loans are taken the usual condition is to return one and a half times the paddy borrowed.

(xvi) It is a fact that many cultivators owning occupancy rights have to sell out their lands for the payment of their debts and their lands pass to the hands of professional money-lenders and they are reduced to the position of bargadars or under-raiyats.

(xvii) When a raiyat becomes hopelessly indebted he undoubtedly loses the incentive for improvements or to produce more in an efficient and better manner.

Question 6. (i) The cultivators have practically no subsidiary industry except home-farming of fowls, goats, etc., on very small scale.

(ii) The only way of encouraging such industries is education and propaganda. If every one or two families in a village could be induced to take up some subsidiary industry, and as a result there was an appreciable increase in their income, others would then perhaps follow their examples.

(iii) Rope-making, basket-making and carpentry may be suggested as subsidiary industries.

(iv) This would not require much finance and a cultivator who is enterprising enough to undertake one or more subsidiary industries can easily find money.

Question 6B. (i) Day labourers, fishermen, small traders, service-holders, and middle-class gentlemen have each their own way of raising money. Day labourers can obtain money only by pledging silver ornaments, if they have any, but they do so by paying exorbitant interest, say, one anna to six pice per rupee per month and sometimes by entering into agreement for service with their employers. Fishermen usually borrow money in the shape of advances from middlemen fisher dealers at exorbitant interest. Service holders, who generally live in towns, become members of co-operative town banks, which lend to their individual members. Middle-class gentlemen generally go to the money-lenders or to the loan offices and get money at moderate interest, say, one rupee and a half without security or mortgage.

(ii) Unsecured loans, as a matter of fact, carry higher interest than secured.

Question 7. (i) The Imperial Bank of India, the co-operative banks, the joint-stock banks and the indigenous banks work independently without any co-operation amongst them, except that all these banks keep their unemployed monies in deposit with the banks and draw from it when necessary.

(ii) The Mymensingh Central Co-operative Bank is supposed to be over-financed, but the other co-operative banks in the district are not sufficiently financed.

The credit of these banks depends to a considerable extent on the personnel of their directorate. Those (banks) that have on the directorate persons of known ability and integrity find no difficulty in securing deposit.

(iv) There is no serious competition between the co-operative banks and the joint-stock banks including loan offices. Co-operative banks attract deposit by the credit that attaches to them, whereas the loan offices and joint-stock companies attract capital by offering higher rates of interest.

Question 7A. (i) We are opposed to Co-operative Central Banks granting loans to individual members. It will diminish the security and increase the anxieties and troubles of the Central Bank. Loans may, however, be advanced to the depositor on the security of their deposit.

(iii) We see no harm in allowing co-operative societies making investments in approved joint-stock banks or loan offices. But great caution should be exercised.

(v) We do not think that issuing or discounting hundis by the co-operative banks amongst one another will infringe any of the provisions of the Co-operative Societies Act. But the privilege should not be extended further as it is likely to introduce unhealthy competition between the co-operative banks and the joint-stock banks.

Question 7B. (i) On account of the establishment of co-operative societies, village Mahajans, instead of lending money individually, find it more profitable and less troublesome to organise themselves into joint-stock banks or loan offices and are satisfied with lesser interest than before.

(iii) The main factors that operate against the rapid spread of co-operative banks in rural areas are:—

- (i) joint-liabilities of the members to the central banks financing them;
- (ii) the system of payment by instalments.

The usual provision of payment is by four instalments. But as crops are sold in Aswin and Chaitra, the four instalments are considered as oppressive.

Part II.—Indigenous Banking.

Question 1. Indigenous banks also work as professional money-lenders and in that capacity assist agriculture.

Indigenous banks generally work with their own money or with deposits received from the general public, but this source of capital is gradually falling off and very few people now care to deposit money with indigenous banks. This necessarily has crippled their resources, and in all probability these banks will cease to exist within a very short time.

Part III.—Investment Habit and Attraction of Capital.

The habit of hoarding, of which we hear so much, is gradually giving place to a desire for investment and there is, we think, enough

money in the district to finance agriculture without outside borrowing if the banking system that is growing receives no sudden check from occasional failure.

Question 2. (i) Postal cash certificates are not very popular in this district as the banks have grown in popularity. The bank deposits are likely to supersede all other forms of investments. Therefore, the endeavour of the Government should be to encourage the growth of the banking system in every possible way.

(ii) Post Office Savings Banks serve a very useful purpose. But for purpose of investment they are not all attractive. Nearly all classes of people deposit in the Post Offices except the agriculturists.

Question 3. (iii) Money that comes into the hands of the people of this district from the sale of their produce or on any other account is first utilised by them in paying off their debts. Something is kept in their hands for current expenses. A part is spent in the purchase of lands and in lending. Any further saving left is deposited either in Postal Savings Banks or loan offices according to their convenience.

(iv) Agriculturists lend money to one another at high rates of interest.

Question 4. (i) Cheque habit is not prevalent. It is necessary only for those who keep deposits in joint-stock banks and the Imperial Bank of India.

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Mr. Sasilal Roy, B. L., Pleader, Sirajganj (Pabna District).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) The agriculturists in our part of the country obtain finance during cultivation by borrowing money from banks (co-operative and joint-stock), loan offices or indigenous banks and bankers and private persons.

(b) They also secure finance for capital and permanent improvement from the same sources.

(c) In case of failure, of monsoon, sometimes they are helped by Government by "takavi" loans, and sometimes solvent zemindars advance money on low interest over and above the methods mentioned in (a) and (b). In this part the agriculturists generally do not pay land revenue, which is paid by the zemindars, but when they do, they do so more in the capacity of zemindars than agriculturists and they secure the finance by realising rents from the tenants and in case they cannot secure adequate amount, they resort to borrowing. In case of payment of rent they generally meet the same from the produce of the lands and they regard the payment of rent as the first charge upon their land and crops. In case of insufficiency of crops they resort to borrowing.

(ii) The rate of interest in this district varies from $37\frac{1}{2}$ per cent. per annum to Rs. 300 per cent. per annum, so far as the agriculturists are concerned. When the agriculturists require money for meeting the cultivation expenses, i.e., to meet weeding, cutting, steeping expenses of jute, in April they borrow it at rates of interest varying from annas two to annas four per rupee per month. For other purposes,

say for purchase of plough-cattles and securing lands in khaikhalashi (i.e., on usufructuary mortgage), from the month of Kartik up to the month of Chaitra, they do so at rates of interest varying from one anna to two pice per rupee per month. Generally, they pay off the debt by Bhadra next and again borrow from Kartik to Chaitra. Those who cannot repay in full by Bhadra next, pay off interests and repay the loan by following Bhadra, and failing that they do it by next Bhadra. If they fail to repay within three years, then there is little chance of repaying the loan amicably owing to expenditure exceeding income. For bigger sums mortgage is given; for smaller sums no security is taken. Sometimes money is taken in khaikhalashi, a system by which some lands are given up to the possession of the lender and out of the usufruct the interest is cleared off and when the borrower repays the principal the land is reconveyed to the borrower; sometimes both interest and principal are satisfied within a specified time out of the usufruct of the land. In my opinion the proportion of secured and unsecured loans would be 10 and 90.

(iii) So far as my knowledge goes, the Government do nothing in agricultural finance except in cases of famine and flood, etc. The Imperial Bank of India do not help agricultural finance directly but do so indirectly through the agency of co-operative banks which help a limited number of agriculturists in a limited way. The joint-stock banks advance money to the agriculturists without any limitation whenever they think that there is every probability of the loan being repaid. Co-operative banks help only those agriculturists who are members of rural societies and none else. The co-operative banks give both short term and long term loans. The works of well-organized central banks are very methodical. They fix a limit of the borrowing capacity of each member according to his needs and credit and advance money according to the needs of the members. The indigenous banks and bankers and professional money-lenders advance money to the agriculturists generally, whenever in their opinion the investment is safe. Merchants advance money to the cultivators on condition that the produce of the lands would be sold to them at lower rates. I do not know of any other organization for financing the agriculturists in this locality.

(iv) The total amount of capital required for agricultural finance for the district of Pabna will come up to 30 crores of rupees.

(v) The main defects in financing agriculture are—

- (1) Dearth of capital.
- (2) Exorbitant rate of interest.
- (3) Want of proper security.
- (4) Dishonesty of people in trying to evade payment by mortgaging the same property to several places and in cases of difficulty applying for insolvency or selling or making *benami* transaction after borrowing money.
- (5) Dishonesty of the money-lenders in not giving credit for money paid and taking blank documents from the borrowers.

My suggestions are: There should be adequate supply of capital according to demand. There should be a law that in no case the rate of interest should exceed a particular amount in a particular area. In each thana there should be a State-aided bank that would always be ready to advance money on a rate of interest varying from 12 per cent.

per annum to 24 per cent. per annum and the lands of customers should be mortgaged with the banks by a registered Karbarnama and claim of the bank should be superior to that of all others except the landlord. The co-operative banks do not advance money to non-members, but the proposed banks should be able to advance money to all. There should be maintained some registers in every union office from which all mortgages may be known on payment of a small fee. The same facilities for stamp duties and registration fees should be given to these banks as are given in the case of co-operative banks. Private banks may also be given these facilities on condition that they observe certain rules about rates of interests, reserve funds and safe investment. The Government must be prepared to find as much capital as is required for the purpose.

(vi) There is no co-ordination amongst various credit agencies including Government. There is much scope for improvement in this direction. There may be interchange of deposits among the banks. As the Government finances the Imperial Bank of India they should also do the same for private banks who should conform to certain rules to be framed by the Government.

Question 2. (i) As regards crops except jute, when the crops are harvested the middle-men purchase the surplus crops from the cultivators and take them to the nearest mart. Sometimes the raiyats themselves bring the crops to some marts, where the merchants buy them, store them and export them to various centres. As regards jute, the Beparis purchase it from the actual cultivators of the soil and take it to the principal centres, sometimes they sell direct to the purchasers of big merchants or sell them through aratdars or dalals attached to particular firms. Sometimes the intermediate merchants send their men direct to the cultivators but the big merchants never do so.

The raiyat is unable to hold up his crops for a better price. The reasons are: that he is hard-pressed for money by his mahajans and landlords and he has got private wants to satisfy. So he sells off the crops as soon as they are harvested even at a very low price. If the cultivator has borrowed money from some merchants or money-lenders on the hypothecation of the crops, then the creditors' men take away the crops as soon as they are harvested.

(ii) There are great possibilities of forming pools and co-operative efforts generally in marketing produce provided sufficient funds are forthcoming to finance the agriculturists but it will take some time to get rid of the present system. The proposed system will have the tendency of lowering the price for the consumers.

(iii) There are co-operative sale societies for jute. They are constituted under by-laws framed in accordance with the Co-operative Societies Act. They are linked to the whole-sale societies at Calcutta. They are financed by the share capital raised for the purpose and by advances made by the central co-operative banks, the provincial co-operative banks and the Imperial Bank of India. They do not experience difficulty in getting sufficient funds.

(iv) During marketing money is required for purchasing jute, carriage and storage of the crops before sale or before export to the port. Money may be advanced on cash credit system on the hypothecation of the jute stored. There are no facilities actually existing. Sometimes money is borrowed on exorbitant rate of interest for the purpose with the result that the poorer middle men are ruined and the rich

merchants purchase the crops at a very low rate as there are no competitors. If the cultivators could be helped by advancing to them a certain percentage of the estimated price of the goods it would be of great help to them. For, they could then hold up the crop for a better market; but, so far as jute is concerned, it is extremely precarious because often there is a fall rather than rise in the price, as in the present year.

(v) Yes, there is a difference. The foreign trade is carried on by foreign capitalists who are immensely rich and not in want of funds. They can purchase at a very cheap rate.

(vi) Joint stock banks, indigenous banks, co-operative banks, private bankers, and money-lenders advance money to the traders and merchants engaged in carrying the export trade from the village to the ports of the province through hats, etc. Sometimes big merchants also advance money to the small traders. Big merchants are the agents through whose hands the business passes at its final stage.

(vi) (a) When the traders have to secure money from the banks they can do it by overdraft in current accounts, paying interests varying from 9 per cent. to 16-10 per cent. per annum. From ordinary mahajans they borrow on the usual rate of 12 per cent. per annum onwards. Merchants allow credit for certain days for payment, but all the goods are not sold in cash by that time; so the middle men either fail to keep their promise or pay rates of interests unsuited for business. Supply of capital on easy rates of interests is the only remedy.

(vi) (b) The suggestion is true. The merchants, who deal in export trade in agricultural produce, are in a position to dominate the market as they are in the position of monopolists and in possession of ample capital whereas the growers are too poor to withhold, so they sell their produce at the price dictated by the monopolists.

I can cite the example of jute trade in our district. In this trade the mill owners, who are the sole consumers in India, and big merchants, who do export business and almost all of whom are Europeans, dominate the market. They are in a position of monopolists. There are no other buyers who can consume the huge production, so the mill owners and merchants who do export trade command the market at their sweet will. The poor cultivators cannot wait, they cannot continue to withhold the selling of their goods for a good price for want of capital. If the growers were financially in a better position they could get better return for their produce.

(viii) The internal remittance is carried on by means of cheques, hundis, insurance, money-orders and by special messengers.

(xii) There are two kinds of hundis current in the locality, viz., *darsani*, i.e., the payment of which is to be made as soon as the hundis are presented and *muddati*, i.e., payment of which is made after a definite time mentioned in the hundi or after a definite time after they are presented and accepted.

(xiii) The introduction of standardised forms on stamp papers may popularise the hundis to some extent but that will not make them of universal use as the people accept hundis only from persons of great credit.

(xx) Hundis emanating from our locality are generally cashed in the provincial centres and some are purchased here from the holders

(xxi) Yes.

(xvii) None in the mufassal.

Question 3. (i) Lands yielding jute and paddy in abundance are sold from Rs. 150 to Rs. 1,500 per acre when the land is *khass*.

(ii) The main factors affecting the value of land are:—

(1) The quantity and the variety of the yields the land is expected to give.

(2) The locality, i.e., whether densely populated or thinly populated. In thinly populated areas land sells at Rs. 30 per acre though they are very fertile.

(3) The beel lands under Tarash thanah sell at Rs. 30 per acre.

(a) In case of sale by Government for non-payment of revenue, the value of land varies from five times to 20 times the net income of the property advertised for sale.

(b) In case of sale under Court decrees *khass* lands in villages reputed for their fertility fetch full value as stated in answer 1, if the sale is fully advertised and decree is a rent decree. If it is not a rent decree, the value must of necessity be less.

(c) In private negotiations the value depends to some extent on the pecuniary circumstances of the party concerned. If the seller be in great need of money he would naturally sell it at a lesser price but in case any new mahajan is going to be a landlord he would offer fancy price.

Other factors are—

(1) Fertility of the soil.

(2) The number of crops that can be raised on the land.

(3) Prestige of the landlord.

(4) Whether any arrears of rent are due on the land.

(5) Advantages of cultivation.

Question 4. (i) There is no legal impediment to mortgage of land or agricultural holding in our locality.

(ii) The amended Bengal Tenancy Act has to some extent increased the credit of the agriculturist.

(iii) The smallness and fragmentation of the agricultural holdings do not stand in an appreciable degree in the way of establishing long-term credit institutions as in these parts law and practice stand against dividing agricultural holdings in many small parts. Certain standard has been fixed beyond which a holding cannot be subdivided.

(iv) The mortgage banks or agricultural banks in the strictest sense of the terms are almost nil in our province. I have heard of one mortgage bank at Calcutta but its operations are perhaps confined to Calcutta or its suburbs at best or it may be a misnomer. The joint-stock banks also act as land mortgage banks here.

(v) This question does not arise.

(vi) (b) The mortgage banks may be authorised to foreclose or sell the properties by public auction by giving registered notices to borrowers and advertising the fact in newspapers and proclaiming the fact by beat of drums.

(viii) The working capital should be derived in my opinion from funds from central institutions as debenture bonds are not very popular so far as private banks are concerned. Deposits may also be received.

(ix) If debenture bonds are issued at all, they must carry Government guarantee both for principal and interest.

(x) Certain laws shall have to be framed on the lines of Co-operative Societies Act to provide against loss.

(xi) They should raise money at a rate of interest not exceeding 12 per cent. per annum and should let out from 18 to 24 per cent. per annum according as the loan is large or small.

(xii) If debenture bonds are issued, they must be included in the list of trustee securities.

Here I beg to point out that there should be a central bank that should secure its capital by issue of debentures but the branch banks should be supplied with capital by the central institution. The success of the co-operative central banks is due to the fact that they get their capital from a central institution.

Question 5. (i) I do not know of any such estimate being prepared in a scientific way.

(ii) Such an estimate can be prepared by a reference to the registration office and the joint-stock banks, indigenous banks, money-lenders and private bankers, village by village, by some agency to be specially deputed for the purpose. The help of the union boards may be taken in verifying and also assisting the preparation of the estimate.

(iii) (a) In case of debt with land as security the search in the registration office, together with a verification whether the loans have been paid off, would be complete.

(b) In case of other debts the agencies mentioned above should be had recourse to.

(iv) (a) 60 per cent. repayment of earlier debts.

(b) 5 per cent. marriage and other social occasions.

(c) 5 per cent. litigation.

(d) 10 per cent. famine and other kinds of distress.

(e) 5 per cent. payment of land revenue and rent.

(f) 5 per cent. growth of the debt by compound interest, interest not having been paid.

(g) 10 per cent. for cattle and seeds and for manure nil.

(h) Nil.

(i) Nil.

(v) These debts are largely due to the indigenous banks and bankers and professional money-lenders. The creditors are the persons mentioned in the question except Government.

(vi) Agricultural indebtedness is increasing.

(vii) The Land Improvements Loans Act of 1883 and the Agriculturists Loans Act of 1884 have not been of any practical use to the agriculturists of my part.

(viii) Itinerant money-lenders, e.g., Kabulis, are to be found in this part of the country. They lend money to the labourers and other lower classes of people at the rate of annas two per rupee per month and at

the time of advancing loan they deduct at least one month's interest from the borrower.

(xi) As there is a scarcity of money in the market and there are no competitors the Usurious Loans Act is not of great use here. Moreover only 10 per cent. of the cases go to law courts and even in these cases the lender is careful enough to keep himself away from the operation of the Act, as the debtors in most cases submit blank documents which are filled up by the lender's men according to their sweet will by lowering the rate but raising the amount actually lent out.

Bonds may be printed with the main provisions of the Usurious Loans Act inserted on the back and measures may be taken to prevent the giving of blank documents and periodical inspections may be held of the documents and account books of the creditors and a prevailing rate of interest may be fixed by law. The infringement may be made punishable.

(xii) No. The application of the Act depends on the whims of the presiding officers.

(xiii) Yes. In this part generally the borrower gives a blank executed bond to the lender. The rate of interest is entered in a separate sheet as memorandum. If the borrower pay the amount amicably at the stipulated exorbitant rate it is well and good, but if he do not do so, the money-lender prepares a document at his sweet will and to evade the Usurious Loans Act the rate of interest is entered very low and if the borrower have paid anything that is not credited and if he has not paid anything a higher amount is inserted in the bond, then a suit is filed.

(xiv) I would suggest that stores of seeds be opened by the Agricultural Department in suitable places all over the country and the raiyats may be advanced money on small interest to buy paddy than borrow it.

(xv) The prevailing rate of interest of paddy in our locality is 300 per cent. per annum.

(xvi) The rates of interest charged vary from $37\frac{1}{2}$ per cent. to 300 per cent. per annum. The interest is calculated by the banks from day to day but in no case interest below fifteen days is accepted. The indigenous banks and money-lenders do not charge any interest for the month in which it is repaid even when it is the last day of the month and charges interest for the month in which it is issued even if it be the last day of the month. But now-a-days with the exception of the mutassal money-lenders, all other agencies charge interest from day to day. The payment is enforced by repeated takids and on failure to clear up interest yearly, suit is instituted. Some wait for three years in case of unsecured debts and for six years in case of secured debts.

(xvii) Yes.

(xviii) No. The cultivators are prepared to shed even their life blood for his land so long as the land is theirs and they try their utmost to produce more and in an efficient and better manner that is known to them, but all his methods are antiquated and unscientific.

Question 6. (ii) Small subsidiary industries may be aided by the State in accordance with the provisions laid down in the proposed Bill for State-aid to Industries. If the producers can get capital at a small interest and if there be State supervision of some sort then the producers may get better return for their produce. Model industries may be opened in suitable places in each district.

(vii) There are various small cottage industries in which the farmer may engage himself to supplement his income and to raise his standard of living. I can suggest a few: spinning, rope-making, *satranchi*-making, towel-making, poultry-rearing, dairy-farming, basket-making and such others.

(iv) Capital required for small industries is very small and that can be secured from central banks or some banks which may be established to advance money at small interest to people who are engaged in such small industries. They should form themselves into societies of unlimited liabilities.

(v) The central co-operative banks may finance such industries.

Question 6A. (i) These are financed by floating a company for the purpose and securing capital by sale of shares. With the capital thus secured permanent structures are erected and these are hypothecated to procure money for current expenses. Later on funds are obtained by the sale or hypothecation of the produce.

(ii) I suggest that these industries may be financed by an Industrial State Bank to be established on the lines of the Co-operative Societies Department with sufficient capital to supply funds for these industries at a very small rate of interest to those only who will be prepared to run that business under certain restrictions to be imposed by an Act, or the State may aid such industries through some agencies under certain safeguards.

Question 6B. (i) There are no special facilities for these people. They borrow like ordinary cultivators from co-operative banks (both central and urban), banks with limited liabilities, indigenous banks, private bankers and mahajans. The labourers sometimes borrow at high rate of interest from Kabulis as they cannot afford to give securities to bonafide bankers. Some banks advance money to those labourers who can create a trust in the minds of the bankers by regular payment of the interests and portions of the principal every month. As regards fishermen, they generally borrow from private persons and sometimes they are financed by co-operative banks when they form themselves into co-operative fishery societies. In these parts of the province there is a peculiar system of securing capital by small traders known as *chatta* system and these Chattawalas some of whom are gentlemen are as relentless as the Kabulis. They lend out money on condition that the borrower would pay every day one pice for every rupee for 72 days and by that way both the principal and the interest would be fully cleared up. The interest calculated on this basis comes up to 6 per cent. per mensem or so, i.e., Rs. 72 per cent. per annum or more as the interest is daily realised and daily reinvested.

(ii) The day-labourers borrow money to secure ordinary amenities of their life. A labourer gets, say, 10 annas a day and if he is to buy a piece of cloth or is to meet some extraordinary expense, say, medical help, he must borrow. He has also to borrow to get his daughter married, which is obligatory.

The fisherman borrows to get his fishing net and those who are not actually engaged in the act of fishing must get some capital to carry on their trade.

Small traders borrow to get their stock-in-trade.

Service-holders borrow to meet some extra expenditure, e.g., marriage ceremony of their daughters, *sradh* ceremonies of their parents

or to meet medical expenses and also when they are lying ill and are unable to earn. A service-holder, who works on a small pay, cannot manage to make his both ends meet; so he has to borrow every month to keep his body and soul together. The same is the case with middle-class gentlemen. The middle-class gentlemen have got small incomes which are not sufficient to meet the wants of the family.

The rate of interest varies from 12 per cent. per annum to 72 per cent. per annum.

In case of secured loans the rate of interest varies from Rs. 18 per cent. per annum to 6 per cent. per annum according to the amount borrowed.

The larger the amount the lesser the interest.

There are certain respectable zemindars, e.g., the Tarash Zemindars, and private money-lenders of respectability who lend at the rate of 8 annas per cent. per mensem when the amount is heavy and the parties are respectable. But now-a-days the tendency is to demand interest at the rate of from 9 per cent. per annum upwards as respectable and reliable banks have begun to receive deposits at 12 per cent per annum.

(iii) Government render no help to the persons referred to. The co-operative banks of the urban type are of great use to middle-class gentlemen and service-holders but not to day-labourers, fishermen or small traders. The fishermen get some help from the co-operative central banks when they form themselves into co-operative societies. Joint-stock banks render some help in particular instances to a few fortunate ones at high rate of interest. The indigenous bankers advance money to them at prohibitive rates of interest when they lend at all. To speak the truth these people are worst off so far as borrowing is concerned.

If the Government can advance money to these people directly or indirectly at the rate at which the co-operative banks give advances on taking two or three sureties as security for realisation, it will be of great help to these people.

(iv) The indebtedness of these classes is on the increase.

Question 7. (i) The co-operative banks are being financed by the Imperial Bank and there are monetary transactions between co-operative banks and Imperial Banks. There are no connections between co-operative banks and joint-stock banks and indigenous banks except that joint-stock banks and indigenous banks deposit money with the co-operative banks up to a certain amount, and under special permission of the Registrar, the co-operative banks may deposit money with joint-stock banks.

(ii) The maximum borrowing power of the rural societies is fixed according to the needs of the members. The limit of short term loans can be fixed with some certainty beforehand, but no limit can be fixed for long-term loans. So the members of the rural societies experience difficulties in securing long term loans.

(iii) I think nearly 10 crores of rupees are required to finance co-operative movement in my district if co-operation is to be better organized and its operation is to be extended to most people of every village.

(iv) So far as my knowledge goes, there is some competition between co-operative banks and joint-stock banks, loan offices, and branches of the Imperial Bank of India.

(r) It is very difficult to say definitely to what extent the competition goes, but it must be to a very small extent only. The competition mostly relates to the securing of deposits and big amounts for purposes other than those mentioned in the Co-operative Societies Act. The Imperial Bank and the co-operative societies have got certain limitations for advancing money whereas there are no such restrictions in case of joint-stock banks. The co-operative banks do not advance money to any person who is not a member of the bank and as the liabilities of the society members are joint and several to the extent of the amount borrowed, no man with sufficient money and credit joins the rural societies.

Question 7A. (i) The central banks may grant loans to depositors against their deposits but not to individual members.

(ii) No. The central banks have not got sufficient funds to meet the present needs. If more funds can be made available then the scope may be enlarged.

(iii) It is a very delicate question. I would like to advocate free interlending of funds between co-operative societies and joint-stock banks and loan offices, but I am afraid to do so as *most of the joint-stock banks and loan offices are not run on sound basis*. Moreover, if it were allowed to go on freely the co-operative banks would not be in a position to fulfil the functions for which they were specially created, i.e., to lower the interests and to teach economy to the people. Most of the joint-stock banks and loan offices are mercenary institutions that charge prohibitive rates of interest and have got no higher ideals. If there be any superfluity of funds of the central banks, then the surplus amount may be deposited with certain banks that conform to certain rules about the rate of interest and do some sort of humanitarian works.

(iv) At present no relationship exists between them. Respectable banks and loan offices do not lend money to the members of the rural societies; so there is no clash between them and both can do good to the people and themselves in their respective spheres. Now-a-days sometimes the private banks assist the co-operative banks by deposits, but the central banks never render any assistance to the private banks.

(v) The central banks can issue cheques and hundis to be drawn at Calcutta or any other place where central banks and rural banks exist with the special permission of the Registrar. They can also cash bills.

Question 7B. (i) The establishment of co-operative societies in rural areas has to some extent reduced the prevailing rates of interest in a limited area among a limited number of people.

(ii) In certain areas where co-operative societies have been started the members of those societies are getting money at a lower rate of interest, but the co-operative movement has not been able to kill out professional money-lenders. There is such a dearth of capital in our part of the country that if a man has got money, he will always get ample people to borrow from him at the rates dictated by him, but in the case of very small creditors and helpless widows, who used to do a small money-lending business, the establishment of banks has been injurious.

(iii) (1) The selfishness of the so-called leaders.

(2) Ignorance of the masses.

(3) Dishonesty of the office-bearers.

(4) Want of self-help.

- (5) Want of co-operation of comparatively rich people.
- (6) The growing poverty.
- (7) Irreligious tendency of evading payment.
- (8) Communal feeling of the self-seeking members who are always for their community against the efficiency.
- (9) Improvident habits of the people.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) At the district headquarters—

- (1) The Tarash Bank, Ltd.
- (2) The Pabna Bank, Ltd.
- (3) The Model Company, Ltd.
- (4) The Dhan Bhandar, Ltd.
- (5) The Nakalia Bank, Ltd.

(b) At the subdivisional headquarters—

- (1) The Tarash Banks, Ltd., Serajganj Branch.
- (2) The Serajganj Loan Office, Ltd.
- (3) The Serajganj Agricultural and Industrial Bank, Ltd.
- (4) The Town Bank, Ltd.
- (5) The Serajganj Bank, Ltd.
- (6) The Serajganj National Bank, Ltd.
- (7) The City Bank, Ltd.
- (8) The Commercial Bank, Ltd.

(c) At other places—

- (1) Porjan Loan Office, Ltd.
- (2) Sthal Industrial Bank, Ltd.
- (3) Barapangashi Loan Office, Ltd.
- (4) Chak Pangashi Loan Office, Ltd.
- (5) Mohanpur Loan Office, Ltd.
- (6) Nohunia Trading Co., Ltd.
- (7) Saratnagar Loan Office, Ltd.
- (8) Bhatbera Loan Office, Ltd.
- (9) Mahajan Banking & Trading Co., Ltd., Chatmohal.
- (10) Sittin Loan Office, Ltd.

Two other banks at Mohanpur.

Question 2. (a) Paid up capital 30 per cent.

- (b) Reserve fund 5 per cent.
- (c) Short term deposit 20 per cent.
- (d) Intermediate deposits 40 per cent.
- (e) Long term deposits 5 per cent.

Question 3. (i) Current $2\frac{1}{2}$ per cent. per annum.

Savings Bank $4\frac{1}{2}$ per cent. per annum.

Six months $6\frac{1}{4}$ per cent. per annum.

Twelve months $6\frac{3}{4}$ per cent. per annum.

Two years $7\frac{1}{2}$ per cent. per annum.

Three years 8 per cent. per annum.

Four years 9 per cent. per annum.

Special deposits 12 per cent. per annum.

(ii) Four years.

Question 4. (a) 5 per cent.

(b) 40 per cent.

(c) 3 per cent.

(d) 50 per cent.

(e) 1 per cent.

(f) 1 per cent.

Question 5. (i) Loans are granted to meet agricultural expenses and they are granted for one year. The rates of interests being—

Up to Rs. 50— $37\frac{1}{2}$ per cent. per annum.

From Rs. 51 to Rs. 1,000 varying from 27 to 12 per cent. per annum.

Loans are contracted for the purpose of buying of lands, satisfying old debts, constructing big country boats for carrying jute and other goods, for defraying the expenses of marriage ceremony of daughters, *sraddh* or *fatua* of parents and so on. The interests are generally cleared off yearly. The loans for agricultural expenses are generally repaid within a year, for other purposes, within three years, but when mortgage is given within six years. The rate of interest for mortgage debts are lower in every case and the town rates are lower than mufassal rates.

Where loans are issued to help trade and industries the rate is from Re. 1 to Re. 1-6-6 per cent. per mensem. The interest to be paid monthly, there must be weekly transactions, otherwise the loan is closed. The loan is closed by the end of the year and fresh loans are issued in the beginning of the next year.

(ii) Some banks demand compound interest with three months' rest, some with yearly rest and some banks do not charge compound interest.

(iii) Some banks deduct advance interest but not all. Some of the banks deducting advance interest give rebate, if payments are made according to stipulation.

(iv) There is a mention of a due date or a *wada* in the bond. If the borrower pays interest regularly every year the banks wait for three years, but if interests are not paid yearly, a suit is instituted at the end of the third year.

Question 6. (i) Yes. These banks lend money to agriculturists.

They are the principal clientele of all banks. They borrow for all purposes from the banks.

(ii) These banks can serve the interests of agriculturists as satisfactorily as any other agency, if not better.

Question 7. (i) Yes. Not more than 10 per cent. of their working capital is so employed.

(ii) These banks, with the exception of a few, do not undertake the doing of ordinary commercial banking because the income from this source is not compatible with the trouble. The office-bearers are not sufficiently educated in banking business. They understand simple loan business, i.e., to invest money and realise interests. The share-holders have got no other ideas except high dividends.

Question 8. (i) Not less than 10 per cent. of the profit is utilised in building up a reserve fund, which is invested in Government securities.

(ii) The rates of dividend vary from bank to bank and from year to year. The dividends have been varying from 14 per cent. per annum to 25 per cent. per annum.

Question 9. (i) Some of these banks keep accounts more or less in conformity with the method of the Imperial Bank. Others keep their accounts in Bengali but in the English style used by the Calcutta banks. Some have got khata accounts in the old indigenous style. They follow the double entry system.

(ii) A uniform system of accounting and balance sheets may be of some use to the backward banks which have not got a fully qualified staff.

Question 10. I am against the idea of these banks being federated into a central banking institution. This will take away the initiative of those who are locally engaged in banking but I welcome the idea that all these banks may receive financial aids from a central institution like the Provincial Co-operative Bank, if they so like, by registering themselves with the central institution.

Question 11. The loan offices can take a bigger share in financing trade and agriculture if sufficient funds be available to them at low rate of interest. With the advent of innumerable mercenary banks and loan offices the rates of deposits have risen high and consequently the rates of interests of investments. The depositors are in a position of dictators.

Question 12. There has not been any case of bank failure in the strictest sense of the term but the affair of a certain bank in Pabna Sudder has come to such a pass that it may be called bank failure as it has been unable to meet the withdrawals of deposits. One of the causes is that the bank concerned invested all its money in lands by taking mortgage of zemindaries. There was no money in liquid shape to meet withdrawal of deposits, so when deposits matured it could not pay though the assets were sufficient to meet the demands. The main cause was the blocking of capital.

Part II.—Indigenous Banking.

Question 1. The indigenous banks or bankers discharge all the functions of joint-stock banks or loan offices. They receive deposits, lend money, issue and receive hundis, give cash credit, advance money on the hypothecation of goods.

Question 2. Half the total finance of the district is supplied by the indigenous banks. These banks advance money generally to traders and sometimes they finance industry by lending money to the industrialists. They advance money to agriculturists on condition that the crops growing in their lands will be sold to them on price previously fixed.

Question 3. In every place of importance, in every "mokam," in every hat, in every important village there are indigenous banks and bankers.

(a) Some twenty crores of rupees are invested by these banks.

(b) Three-fourths of the commercial business is done by them.

(c) Expenses come up to 10 per cent. of the total output.

(d) There is free interchange of capitals amongst indigenous banks of standing and credit. The indigenous banks do not advance money to joint-stock banks because they do not understand banking but advance money to persons connected with joint-stock banks on personal credit. That, however, cannot help the banks as the rate of interest is prohibitive, so far as the banks are concerned. These indigenous banks have nothing to do with co-operative banks. Some of the proprietors of these indigenous banks who have imbibed modern ideas have got accounts with the Imperial Banks and use the Imperial Bank for remittance of money, but the big ones get the money by issuing hundis and when the demand amounts to several thousands they send money per bearer.

Question 4. There are two kinds of hundis now in general use, one is "darsani" to be paid at sight and the other "muddati," i.e., to be paid on the expiry of a certain period after presentation. The hundis are of extensive use, but there are only a limited number of firms whose hundis have got any credit in the market. So people get hundis of those firms only and the other firms do not generally issue hundis.

Question 5. (i) Generally, money is advanced in current account (Kholakhata). These accounts are resorted to by persons who are engaged in trade.

On the first day the borrowers themselves go to the indigenous banks and sign a khata with stamp and enter in the khata the sum borrowed by them in their own handwriting. In subsequent transactions the borrower or his accredited agent writes out the amount paid or received in his own handwriting. In some banks there are double khatas; one remains in the possession of the borrower and another in the possession of the lender and the writing is done by opposite parties in opposite parties' khatas. This is just like cheque system with pass books.

Cash credit is also given in khata account and the wordings are those of hand-note.

Interest runs from day to day and all loans must be cleared up to the pie by a certain day according to the customs of different indigenous banks. All Marwaris have got Ramnavami and others the 1st of Baishakh or Rathajatra day.

(ii) Issue of hundis and income from business.

(iii) The rates of interest—

Current —6 annas per cent. per mensem.

Fixed (for a year)—8 annas per cent. per mensem.

Question 6. (i) When below Rs. 50, the interest is one anna per rupee per month.

(ii) Above that sum the rate is three pice or two pice per rupee per month according to the solvency or otherwise of the party.

In Baishakh it rises up to two to four annas per rupee per month, i.e., 150 per cent. per annum to 300 per cent. per annum.

There is no uniform rate. The rates vary in accordance with the degree of the unscrupulousness of the creditor and stupidity and helplessness of the borrower. So far as paddy is concerned, the agriculturists have to pay 200 per cent. per annum as interest. The system is that when the paddy is borrowed the creditor takes a document for one and a half of the price then prevailing, i.e., if paddy sells at Rs. 5 per maund the creditor will demand a document for Rs. 7-8 to be paid within three months.

(iii) The rates can be brought down only by supply of sufficient capital. The capital in circulation is insufficient to meet the demands of the people. The income of the people is not sufficient to make their both ends meet; so they borrow at any rate and try to evade payment as much as possible when they cannot pay.

No organization can bring down rates of interest. There must be sufficient supply of capital, the people must be taught economic habits, productive powers should be increased and industry must be developed—then only can the rates of interest come down. Yes, the reduction of rates would confer great benefit to the agriculturists.

Question 7. (i) So far as my knowledge goes, a feeling of prejudice has been engineered here against the indigenous bankers of small capital, most of whom are Hindus. But there are petty indigenous bankers (Hindus and Muhammadans) who are unscrupulous to the core and there must be prejudice against them.

(ii) I think they are not sufficiently protected in law. They use some methods in good faith which are not strictly legal and when they take recourse to law, it cannot help them.

(iii) Registered and approved indigenous bankers may be given some facilities as is given to the co-operative societies.

(iv) The dealings of such bankers with their clientele are not conducted on sound lines.

(v) (a) Some bankers take blank documents from their clients. That must be made penal.

(b) Thumb impression is not taken from illiterate borrowers. Law should be so framed that in no case the court should grant a decree for a document which has not got the thumb impression of illiterate borrowers.

(c) In the back of the stamp certain rules for guidance of both borrower and lender may be printed in vernacular.

(d) No document which is not registered should be valid without the authentication by certain class of officials within a week of the execution.

(e) It is very costly to examine Handwriting Expert in order to test the genuineness or otherwise of signatures in documents. It is, therefore, desirable that taking of the thumb impression of the borrowers, both literate and illiterate, should be made compulsory in all cases when the document is not registered.

Question 8. (i) A register of indigenous bankers, who carry on money-lending business, may be prepared and a set of supervisors like those of the central co-operative banks may be deputed to check the account books and documents from time to time and they may do propaganda works to teach the true principles of money-lending and keeping the rate of interest within reasonable bounds.

(ii) This question is allied to question (i).

Uniform system of keeping daily proper accounts should be introduced. For a few years properly bound khata with proper printed headings for entries should be introduced. In case of big indigenous banks the khata are properly kept, but they do not do their business in a strictly legal way. They should be advised to do so. There must be inspectors like auditors to check the books of these banks twice in a year and at the Sadar and Subdivisional headquarters a register of these persons, village by village, should be maintained. That is, the indigenous banking system should be organized like the co-operative banks and joint-stock banks. Every indigenous bank must get a seal, must have thumb impression apparatus and proper persons to keep accounts. Those who will not have their names registered and not keep proper accounts inspected by proper authorities should not get a decree. For every payment receipts should be granted. Failure to grant proper receipts in proper time will make the party liable to some fine after enquiry by some official, say, circle officer, and, if the charge be frivolous the party complaining would be liable to fine.

(iii) Special facilities for speedy realisation of dues should be devised.

In some cases the lands and movables should stand as security.

The registration of mortgaging of lands for sums below Rs. 100 may be optional and it shall be effective on condition that notice is given to proper authorities who serve registered notices on the so-called borrower.

(iv) The petty indigenous banking community would stand deadly against the introduction of these measures. The big bankers would not seriously object if the inspectors and auditors do not give any information to the income-tax officers.

Question 9. The net returns of indigenous banks, free of all costs and incidental expenses, come up to 25 per cent. of the capital invested.

Question 10. The indigenous banks and bankers have to refuse many for the insufficiency of their working capital. Of course, some are refused for insufficiency of security.

Question 11. (i) In case the workings of the indigenous bankers are put on sound basis and they care to have their accounts audited by auditors and to draw up proper balance sheets, the Calcutta banks may be prepared to advance money as the Provincial Co-operative Banks do to the Co-operative Central Banks.

(ii) The local banks have not got sufficient funds, so it is useless to connect the indigenous banking system with local banks.

I would suggest the establishment of a branch of a Central Reserve Bank in each district and principal trade centres like Serajganj, Naraingunj, Jhalakati, etc. Such branches should be authorised to do business with individuals, taking indigenous banks as individuals.

(iii) By advancing money on bank rates.

(iv) There would be no clash whatsoever.

There is ample field for investing as much capital as is desired. If the rate of interest comes down, that would be a great boon to the people at large. The only interest of the people is to get money at cheap rate.

Question 12. No. There is dearth of money. There are certain capitalists who keep their money secreted away and do not employ it for any useful purpose.

(ii) No.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (iii) (a) Postal Savings Banks and Cash Certificates.

(b) The different banks that receive deposits of various sorts for any amount.

(c) The insurance societies.

(iv) In towns and large villages, where there are banks and post offices, the public has got certain facilities for investment.

(v) The union boards may be authorised to receive deposits at a certain interest. Every village may then get an opportunity to invest.

Question 2. (i) Postal Cash Certificates are popular with the persons who have got banking habits and who have not tasted blood (i.e., high rate of interest). They may be made popular if the term of their repayment be shortened and they be available in big villages and trade marts, and agents are deputed to every village for their sale.

(ii) If the rates could possibly be made a little higher, the Cash Certificates would be more popular. The existing terms of issue do not require any change.

(iii) Savings Banks do not afford all possible facilities, as withdrawals are allowed only once in a week and the rates of interest are too low. The Government may secure larger amounts by raising the rates of interest and reinvesting them in banks of repute.

(iv) Mostly middle class gentlemen resort to Savings Banks investment.

(v) Other classes may be attracted by propaganda and by raising the rates of interest.

(vi) There is no competition between the Government and banking institutions as people deposit money with Government for absolute safety.

Question 3. (iii) When money comes into the hands of educated people they spend it or the most part of it in productive works. Agriculturists think of purchasing lands and launch in boat-making, purchasing articles of luxuries and corrugated irons and so on and so forth. Middle class gentlemen would save some portion of it and deposit with some banks.

(iv) Yes, the agriculturists lend to their fellow agriculturists. The rate of interest is rather high: from 15 per cent. per annum to 300 per cent. per annum. In prosperous year they purchase lands and waste the rest.

Question 4. (i) With the increase of banking habits and spread of education the habit of using cheques is on the increase.

(ii) Larger use of cheques.

(iii) Educated people and businessmen use cheques.

(iv) I am not an advocate of vernacular scripts.

Question 5. (i) Yes.

(ii) It is due to the genius of the people of India. They are taught by their religion not to amass money. They follow the rule that they should amass only to give. The lands of India are fertile, so the people are indolent and improvident. They do not know self-help and economy. They know that they would not starve but would anyhow be maintained by anybody.

(iii) The propaganda work for investing the savings of the people is carried on by the Co-operative Department. Other banking institutions should also organize themselves to do the same work. The ideals may be spread through schools.

(iv) The opening of new branches of the Imperial Bank has been of great help to the growth of trade, commerce and industry. The recent abolition of the branch of the Imperial Bank at Serajganj has very injuriously affected the banking institutions of this town.

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Raja Reshee Case Law, C.I.E.**Part I.—Agricultural Credit and Credit Facilities for Small Industries.**

Question 1. (i) Owing to the absence of agricultural and land mortgage banks, most of the agriculturists have to depend on the village mahajans and middlemen for financing their cultivation and movement of crops. Taking the agricultural population of Bengal as a whole, the few credit societies which of late have been brought into existence are quite inadequate to cope with its needs.

(a) Agriculture in Bengal is carried on in the antiquated way which is not so expensive. The standard of living is very low and the cultivators, generally illiterate, have neither the means nor the ability to adopt the system of agriculture with mechanical appliances requiring greater outlay, but bringing large production and profit. Hence the little capital required is obtained generally from local sources. The interest charged usually varies from 18 to 75 per cent. per annum. In remote villages both the interest and the capital are paid back in kind and coin. In some cases the borrower mortgages his land or pawns ornaments or other movables, but generally, the agriculturists who cannot grow corn without having recourse to loan have very seldom any ornaments or valuable movables to pawn. In many parts of Bengal the aratdars and purchasing agents of companies carrying extensive trade, advance a decent percentage of the approximate value of the standing crop. Such advances are generally called *Dadan*. Apart from all these, the cultivators take advance of paddy from those who store and deal in paddy. This is called *Bari*. The interest of this *Bari* varies from 25 to 50 per cent. for a period not exceeding six months.

(b) Permanent improvements in the shape of construction of *bund*, sinking of tube-wells, levelling of land, etc., are very seldom carried on by the poor cultivators who helplessly depend on the vagaries of the monsoon, help from the zamindars and the productive schemes of the Government. Want of capital for carrying on permanent improvements of land is at the root of the misery of the people.

(c) A large percentage of the agriculturists is not in a position to make any provision for evil days. Hence their sufferings are very great in the years of failure of crops due to drought or flood. They cannot pay the dues of the landlords nor can they feed their cattle. The relief societies and Government organisations, however inadequate, at times alleviate their distress to a certain extent.

(ii) Loans taken for agricultural purposes are generally for short terms and in the majority of cases they do not exceed 7 months. The interest charge varies from 18 to 75 per cent. and the securities are generally the standing crops and the credit of the party, i.e., his honesty, past conduct, etc. But occasionally ornaments and valuable utensils, etc., are pawned. In case of long-term loans, the landed properties are mortgaged. In the absence of reliable statistics, any off-hand statement of the proportion of secured to unsecured loans is of no value.

(iii) The Imperial Bank and the joint stock banks are not directly concerned with the financing of agriculture. But the co-operative credit societies of mufassal, indigenous bankers, professional money-lenders, the agents of merchants, beparis, aratdars, fariahhs, and some solvent zamindars finance the agriculture of Bengal. But the interest is very high, and so the borrowers can seldom free themselves from their clutches. Moreover, a permanent improvement of agricultural condition cannot be carried on partly for the low borrowing capacity of the cultivators and partly for the limited resources of those who lend.

(iv) No. Under the present circumstances, it is not possible to form an estimate of the total capital required for the purposes stated in (a), (b) and (c) of (i) in 1.

(v) For want of education, dearth of capital, and absence of organisation among the agriculturists, they cannot even make the best use of the limited supply of capital which is locally available for cultivation and for the movement of these crops. The main defects in the present system of financing agriculture are the following:—

(a) *High rate of interest* which the debtors have to pay to their creditors. This leads to perpetual indebtedness.

(b) *Ununiform rate of interest* places the persons who borrow at a higher rate of interest under great disability, because borrowers at a lower rate of interest can easily sell their articles at a cheaper rate and thereby lower the market price causing loss to the former. This is one of the defects in the way in which agriculture is financed at present.

(c) Partly for the inadequate supply of capital and partly for the high rate of interest charged by money-lenders the *cultivators cannot hold up their produce for a better market rate*. The purchaser dictates price. Such is the helpless condition of the growers.

It is not easy to remedy the defects mentioned above. However, the following among others appear to me to be of some help to improve the present state of affairs:—

(a) *Spread of education*, without which it is not possible to foster a banking habit among the people, is absolutely necessary.

(b) *Multiplication of Credit Societies*, so that a greater number of people may have the benefit.

(c) *Establishment of a close connection between the village money-lenders and the banks*, is necessary, so that the former may easily get

cash credit at a low rate of interest, say, one per cent. above bank rate, in time of seasonal demand.

(d) *Special Legislation*, making the present system of tortuous and lengthy procedure for realisation of dues simpler and attractive, may remove the shyness of capital. The fear of a law suit with all its paraphernalia is responsible for making the village capital shy. The court should in matters of agricultural loans allow repayment by larger instalments otherwise the capital which is already shy tends to be so in a greater degree.

Question 2. (i) The consumer is a long way off from the producer. Naturally the producer's share of the profit is much less than what it should be. This is principally due to his inability to hold up for want of funds. He is in chronic need, and there are also the pressure of the creditor and the *tagid* for rent of the landlord. The *dadandars* take delivery of the crops from the *khamar* and at a price much lower than what is current. Absence of easy means of communication and ignorance of the raiyat compel him to go to the nearest mokam or hat and accept the price dictated by the aratdar, bepari, paikar or faria. Thus the transaction takes place at a time when everybody is eager to sell. Hence the commodities cannot fetch better price. Had there been organisation among the cultivators and had they been properly financed to hold up and dictate their own terms, they would certainly have been able to secure better price.

(ii) Pools and co-operative system can be expected to produce the desired effect only when the cultivators become literate and the work of these organisations is managed in the proper spirit, i.e., for doing real good to the raiyats. Otherwise the place of the exacting money-lenders will only be taken up by another set of exploiters bearing a different name. At any rate, there is no harm in carrying on the experiment. But I am not very optimistic about its success so long as there is no mass education, and the development of the right co-operative spirit.

(ir) To benefit the cultivators the financing of products is necessary before marketing, and not exactly during marketing. When the commodity is in the market, the purchaser gives the market price. It would of course be a great gain to the cultivators if licensed warehouses be opened and arrangements be made also with the aratdars so that they may advance a proportion of the value of the articles stocked at an interest a little above the bank rate and adjust the account when the actual sale takes place.

(r) So far as the cultivator is concerned there is practically no difference between credit facilities required for internal trade and foreign trade. These are matters with which the merchants are concerned.

(vi) (a) and (b) From the village to the port is a long way. It has been told above that the beparis, farias, aratdars and purchasing agents are in direct touch with the producer. The indigenous bankers, money-lenders, co-operative credit societies, etc., finance their business at this stage. Then comes the stage of the merchants who stand between the beparis, etc., and the foreign market. These merchants secure money in various ways, e.g., Hundi, Purja, Khātā Bāki, etc. Of these, Hundi, Purja and Khātā Bāki depend on the bazar credit of the merchant. The Exchange Banks deal with the merchants in export and

import trade. The known parties get money from the banks with which they work on production of a bill of lading, a bill of exchange and insurance policy. In case of import trade some of the importing houses borrow money from their banks according to their own arrangement. Then come the banyans and dālāls who stand between the importers and the beparis. The terms of payment are not always the same. There is the system of payment on delivery of goods or within a specified time. The bepari who is in need of money secures it either from his bank on cash credit system or through hundi, purja or Khātā Bāki. The mufassal shop-keepers purchase either from the beparis direct or through an intermediary, a wholesale dealer. These mufassal men do not always pay the full amount. They are known to the beparis, or the wholesale dealers and get goods on payment of a fraction of the price. The rest is paid within a specified time. The system is not always without risk. But the sufficient margin of profit is a great consideration which leads the wholesale dealers to follow this system.

(vi-a) The terms are not uniform. These are matters which depend on the relationship between the banks and the parties. The Indian merchants experience difficulty in securing cash credit and over-draft which depend partly on the character of the security and partly on the reputation of the business firms. Guarantors charge higher percentage from the Indian merchants. Indian merchants in many cases cannot have their bills discounted or rediscounted on favourable terms. Of course, in financial matters credit and confidence outweigh sentimental or political consideration. But it is high time that arrangement should be made, if possible with Government help, to make it smooth on the part of the Indian merchants to have greater banking facilities than what is in existence at present.

(vii) No.

(viii) Internal remittance is managed by Postal Insurance, ordinary money order, Telegraphic Transfer and cheques through banks having branches at the places of business.

(ix) Improvement of the present condition is possible only when there will be established banks at every place of business and these will have connection and work with all the principal banks within the country.

(x) The hundis play an important part in the internal trade of the country. Personal credit is the only security. Businessmen having good reputation in the market meet the sudden or seasonal demands by issuing hundis, the circulation of which is not inconsiderable.

(xi) Use of bills will be extensive when there will be easy discounting on favourable terms.

(xii) There are two kinds of hundies, viz.:—

(a) Hundis proper, i.e., muddati and darsani and

(b) Purjas.

The difference between the hundi and purja is that the latter is not discounted.

(xiii) No. It depends entirely on the credit of the party. No standardisation can create credit and confidence.

(xv) The practice varies according to the convenience of the parties. Bombay hundies are sometimes discounted in Calcutta.

(xvi) There is always some amount of risk in the discounting or rediscounting of hundies. So it is sometimes not safe and easy to give facilities to discounting and rediscounting of hundies. If the shroffs get money from the bank on easy terms, they may extend the same to the parties.

(xvii) Railway receipts, bills of lading, bills of exchange and insurance policy as instruments of ownership are used for raising money during the process of marketing.

(xviii) It is common knowledge that European factories and mills do not make payments on the production of bills of lading issued by the Indian-managed steamship companies. Actual delivery of goods is demanded before payment is made. Moreover, the merchants who carry their goods in Indian ships incur the displeasure of European customers. This boycotting tendency should be removed by all possible means. One way of removing this difficulty will be to compel the European mills and factories by legislation to take representative Indian businessmen having share qualification on the directorate.

(xix) If such licensed warehouses be brought into existence, the producer will be able on the strength of the certificate of storing his goods in a licensed warehouse to secure money without actually selling them.

(xx) At the present stage of our trade and industry, Governmental support is expected to produce the desired effect.

Question 3. (i and ii) The position of the land, the quality of the soil and the rate of rent determine the price of the land. Potato, jute, sugarcane and betel producing lands having the supply of water within easy reach fetch higher price. Lakhiraj, Brahmottar, Chakran, Maurasi-Mokrari lands are in great demand. Means of communication from the field to the market and nearness to the town carry great weight in raising the price of the land. Thus we see that the productive power of the land cannot alone fetch a very favourable price. Fragmentation of holding is another problem. It is therefore not possible to give an idea of the price of an acre of land in one word. Generally, the price of an acre of Lakhiraj land varies from Rs. 300 to Rs. 1,500. Below that is the price of the Mokrari land. The price of an acre of ordinary rented land varies from Rs. 150 to Rs. 750.

The question of title very often determines the price. In auction and court sale people sometimes purchase property at a very cheap price. But it all depends on the bid. In sales by private negotiation, the transferor does not transfer his property unless he gets his desired price. But in auction and court sales he is not given the choice. The sale takes place under the order of the court over which the owner has no control, therefore, he has no facility for obtaining the usual market rate.

Question 4. (i) No.

(ii) It has given the occupancy raiyats the right to transfer his holding. There is nothing to stand in the way. It has conferred on him certain rights, e.g., cutting trees, digging ponds and erecting pucca buildings. The conferment of greater rights has naturally added much to the value of the holdings, and the raiyat has come to know and feel that he is owner of some property. But how far this will

work to his benefit is difficult to tell. In my opinion it has paved the way for making them landless paupers. The mahajans will at first hold lands on mortgage and will in course of time become owners. Thus the raiyats will be reduced to the position of landless bhūgchās jotdārs.

(iii) Smallness and fragmentation of holdings diminish their economic value. Hence the money-lenders do not like to advance money on mortgage of such holdings. But in a country like ours where in many districts there is a network of rivers or canals for irrigation and where people have to depend on the vagaries of the monsoon, the fragmentation of holdings is not without its benefit. In a mouza specially in west Bengal there are high lands, low lands and marshy lands with different kinds of property of the soil. So a raiyat having his land scattered throughout the mouza will get something even if there be drought or flood. In the year of inadequate rains the low land will give him crops and in the year of heavy rains the high lands will show their worth. Under the present circumstances, it will not be prudent to stop fragmentation altogether.

(iv) and (v) To my knowledge there is no land mortgage or agricultural bank exclusively for the purpose. The one that is in Naogaon is a development of co-operative bank.

(vi) At first a demand for such banks should be created by removing illiteracy and teaching the raiyats the use of scientific implements and manure. Otherwise they will get capital without knowing how to make use of it to their advantage. A few land mortgage banks, say one or two in every division, and co-operative credit societies, one in every five or six union boards, and a model farm within the jurisdiction of a thana may do useful work for the present. Such an arrangement will make it easy for them to get capital and also hold before them the living example of the model farms teaching them how to make the best use of the capital. The necessary details regarding capital, etc., for starting and managing these institutions are matters to be settled by a committee of experts. At any rate the Government is to change the angle of vision and come to the rescue of the people. If it be left to private enterprise I make bold to say that the peasantry of Bengal will have to wait indefinitely.

(vii) (a), (b) and (c) It is against the principle of bank management to purchase litigation and harassment by investing good money of the bank. Hence the title of the clientele must be clear and the process of realisation of money easy, so that the banks may carry on work without the fear of loss. Such a process may require some change in the record-of-rights and technicalities of law which should be decided by a committee of experts.

(viii) The working capital will at the start be principally derived from share capital subscribed partly by the borrowers and partly by the investing public. To make the shares attractive there should be Government support. Certain amount of deposit from Government, district boards and municipalities will create faith and confidence in the banks, and private deposits (demand or time) will then come of themselves. Governmental supervision is necessary. Debentures may be issued, if required.

(ix) Government should guarantee the interest of the bond as in the case of certain railway debentures.

(x) One or two local Government officers, executive or judicial, must be included in the directorate. The reserved capital must be invested in Government securities and necessary legislation may be made to secure the Government against loss. Certain percentage of profit may be credited to Government account.

(xi) In financial matters there cannot be any hard and fast rule or a set standard. The supply of capital depends on so many considerations that it is not prudent to attempt to stick to a particular method. It may, however, be said that without some form of Government support it will not be easy to obtain capital for these banks. A uniform rate of interest for lending capital is good no doubt from the standpoint of the agriculturists but it is against the principle of banking. Capital should not lie idle in the bank. When there is a heavy cash balance, the rate of interest must be brought down. When there is scarcity of money the rate will be raised automatically. However, there are matters to be settled by the directors or the Government from time to time. Of course, they should see that the interest may not be prohibitive.

(xii) Government guarantee is necessary.

(vii) Nil. Very probably the agriculturists do not know that there are such Acts. They are ignorant of the procedure to be followed in taking advantage of the Acts.

(viii) The operations of the Acts may be prompt only when the people are educated and the Government makes arrangement for giving wider publicity to what they are prepared to do for the cultivators.

(ix) Yes. They advance money at a very high rate of interest and realise the same with interest simply by *zulum*. During cold weather the Kabulis take warm clothes, such as wrappers and coats, etc., to the remote villages and sell on credit to the villagers at more than double the usual price. The money is realised in instalments. The defaulters are forced to beg, borrow or steal and clear up their liabilities. *Kabuli-walla's zulum* has become proverbial in rural Bengal.

(xiv) Seeds and paddy meant for distribution among the needy in normal times may be stored in godowns attached to the houses where the union boards' offices are located. The President will distribute same either on recommendation of the member representing the village where the borrower resides, or he may use his own discretion and lend it himself.

(xv) Rate of interest of paddy loan payable in kind varies from 25 to 50 per cent. in four to six months.

(xvi) The interest referred to above and calculated on the basis of $\frac{1}{4}$ or $\frac{1}{2}$ of what is given as *Bari* is realised along with the quantity given as loan in the Bengali month of Pous or Magh. The borrower is compelled to store the paddy in the *khamar* of the person from whom he borrows and he takes home what is left after clearing off his liability.

(xvii) Yes. Instances of actual tenants being reduced to the position of *bhagchas jotdars* are not rare.

(xviii) Not so long as he exercises sixteen annas proprietary right over a particular piece of land. The attitude is changed when he is reduced to the position of a *bhag-chasi*. Incentive to produce more and in an efficient and better manner is reduced so far as the *bhāg jote* is concerned.

Question 6. (i) In the list of the subsidiary industries mentioned in the questionnaire the following may be included—basket-making, cutting and sewing, dyeing, rope-making, net-making.

(ii) These industries can be encouraged by making arrangement for giving wide publicity and holding periodical exhibition at central places not necessarily in towns. The melas which worked as incentive are disappearing. Attempts must be made to revive and organise these melas.

(iii) Improved method of spinning and weaving may be introduced in the villages so that the cultivator may make an extra income by devoting his spare time to this work. Sewing machines may be taken to the heart of the village where some of the villagers may be taught sewing and cutting fatuas, shirts, etc.

(iv) and (v) The co-operative credit societies should supply the machines to the cultivators and make arrangement for the realisation of the price by instalment payment.

Question 6B. (i) Handnotes, mortgages of immovables and pawn of movables are the principal means by which the persons referred to obtain loans from the money-lenders or gentlemen who can manage to have some surplus.

(ii) Since the great European War the condition of these people has become so precarious that generally they live from hand to mouth without any surplus and whenever there is any unforeseen calamity which requires money they have recourse to loan. Protracted illness, sradh ceremony of parents and marriage of both sons and daughters are the principal purposes for which loans are contracted. In case of secured loans on mortgage the interest varies from 12 to 18 per cent. according to the character, both of the party and the property. In case of unsecured loans, e.g., handnote, the interest varies from 18 to 75 per cent.

(iii) The co-operative societies where they are in existence have to a certain extent been able to diminish the rate of interest charged by the money-lenders. But the relief does not count when we consider the distress of Bengal as a whole.

(iv) Indebtedness among the unemployed middle class gentlemen is on the increase.

Question 7. (i) The Imperial Bank when necessary advances money to the Provincial Co-operative Bank of Bengal, which is in close touch with the central banks and through them with the co-operative societies working in the mufassal. They receive guidance and help from the Provincial Bank. There is nothing to prevent inter-action among the different kinds of banks.

(ii) The funds are inadequate to meet the whole demand of the people of the locality where a particular society works.

(iii) No.

(iv) Not that I am aware of.

(vi) Desirable things are not always feasible. Suggested list of financial concession includes subjects which are Imperial. But it should be stated here that any relief is cordially welcome. The best solution would be to make arrangements with the big banks to give advance to the approved co-operative societies on easy terms. But

this cannot be done unless there is a reliable guarantor. The Provincial Co-operative Bank may extend its helping hand in this direction. Last but not least is the movement of capital. This should be as quick as possible.

Question 7A. (i) Yes.

(iii) Yes.

Question 7B. (i) and (ii) It has to a certain extent been able to diminish the rate of interest charged by the money-lenders, but has not been able to oust them. However, the salutary effect is there.

(iii) Illiteracy and ignorance of the masses on the one hand and the lack of initiative and indifference of the bhadralog class on the other, are the factors that operate against the rapid spread of co-operative banks in rural areas. So far as the organisation of these banks is concerned there is ample scope for the Government for exercising its healthy influence for their growth and development.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

The loan offices are banks in miniature. These are rare in west Bengal. In north and east Bengal the loan offices are to be found almost in every important place.

Question 3. The demand and time deposits have different rates of interest. We cannot expect uniform rate in all the loan offices. Interest on demand deposit (current account) varies from 3 to 5 per cent. on a minimum balance. The time (fixed) deposit is of various kinds, e.g., maturity after three months, six months, one year, two years, and three years. The rate of interest varies according to the length of the time of the deposit. Different banks have different kinds of rates, which vary from 4 to 10 per cent.

Question 6. (i) There is nothing to prevent lending money to agriculturists but in practice they have very little to expect from these banks. Advance to agriculturists is a risky affair and these banks usually do not venture to take the risk. They lend money on sufficient security movable or immovable.

(ii) Resources of any bank can be utilised for agricultural purposes provided there is security.

Question 10. The idea is a nice one but it is difficult to materialise. There are very few Bengalis who have practical experience of the system of work in a federal bank. However, the goal can be reached by a slow process of amalgamation.

Question 11. Taking a bigger share in financing trade and agriculture means command over larger amount of money and extension on the field of work. How the money will flow to the bank is the problem of all problems. Internal trade is to a certain extent financed by the loan offices, but they have practically nothing to do with the foreign trade. It is a known fact that the monetary resources of the mufassal people are limited and the mufassal capital is very shy. Improved method of agriculture would necessitate large outlay, which I think will not be available locally. If there be a Governmental backing in any shape extended to a loan office of established reputation in a district it is sure to become a favourite of the public.

Part II.—Indigenous Banking.

Question 1. Rural finance is almost entirely in the hands of the indigenous banks and bankers. Growing of the crop and its movement from the field to the arat or mokam are entirely under their control. A large share of the movement of the crops from the arat to the port is also in their hand. They discount hundis, advance money on purjas, chitas, handnotes and mortgages. But these banks and bankers have not adopted the modern banking system. They have their time-worn peculiar methods of work of their own. Current account, fixed deposit, cash credit, over-draft, etc., as they are to be found in modern banks managed on Western lines, are not to be met with in indigenous banking proper which is fast passing into the hands of the Marwaris.

Question 2. Rural trade, small industry and agriculture are chiefly financed by the indigenous bankers.

Question 3. Financial matters are always kept secret and it is a salutary principle of business specially when it is carried on proprietary basis. People do not like to disclose facts regarding investment specially in money lending business. This is due to the fact that people are always against exposing their financial position. But it is a well-known fact that indigenous money lending business is managed very economically. The paraphernalia of a full-fledged joint stock bank are conspicuous by their absence. The indigenous bankers seldom work together. Individualistic tendency is very prominent there. These bankers on the strength of their own assets can arrange cash credit. The shroffs do it very often. The Bengali bankers do not usually go to any other bank for advance. Their work remains confined to their liquid capital set apart for banking business.

Question 4. Hundis, purjas, handnotes, khatabaki of jama are the instruments used by the indigenous bankers. Hundi business is very popular specially among the Marwaris.

Question 5. (i) There is no one rule and practice followed by different bankers. Each has his own method of work. Advances are given on mortgage of Government papers, share scrips, certificates, ornaments, or immovable property, house, land, etc. Sometimes the parties approach the banker direct and sometimes through dalals, who always receive certain percentage of brokerage. Some bankers deduct a certain amount as gadi selami or amla kharach. But in the majority of cases neither any gadi selami nor any amla kharach is enforced by the lender. The borrowers at times do not get the whole amount for which they enter into agreement. Sometimes a substantive portion of the money borrowed is paid and the remainder in instalments. The interest generally varies from 12 to 18 per cent. on secured debts. Apart from loan granted on security the bankers discount hundies and advance on railway receipts and bills of lading.

(ii) It has been pointed out above that Bengali indigenous bankers invariably work within the limits of their own resources. They very seldom go to the banks for money. But the Marwaris often go beyond their capacity and take advances from the banks according to their own arrangements. The shroffs take advances from the banks. Neighbours, relatives and friends sometimes deposit their savings with the bankers. But the percentage of such capital is negligible.

(iii) Varies between 6 and 12 per cent. according to market rate.

(iv) Hundis depend on personal credit. If the party has reputation no difficulty is experienced in discounting or rediscounting his hundi.

The Imperial Bank's hundi rate in Calcutta for shroffee endorsed paper is a variable rate according to the position of the money market, but it is on the average the same as the bank rate although in times of tight money market the rate goes up to 1 per cent. above the bank rate, and in case of easy money period it is 1 to $1\frac{1}{2}$ per cent. below bank rate. The total value of the hundies discounted in Calcutta during the year ending 31st March 1929 is approximately Rs. 14,10,00,000 and the amount for the whole of Bengal is about Rs. 15,20,00,000.

Question 6. (i) Rate of interest varies from 12 to 75 per cent.

(ii) Rates can be brought down by opening co-operative credit societies and enhancing the borrowing capacity of the cultivators by the improvement of agriculture.

(iii) Low rate of interest will no doubt give relief to the borrowers. It is doubtful whether a mere lowering of the rate of interest will help agricultural improvements. Education and practical demonstration are the two essential requisites for real improvement.

Question 7. (i) Yes. But the borrowers are helpless.

Question 8. (i) and (ii) One of the improvements is by amalgamation on a private or public joint stock basis, but I do not think it will be possible. Most of them are ignorant of the system of modern bank management, so they will not welcome the proposal. Moreover, these conservative people will not venture to place their own money in the hands of outsiders. Propaganda in the shape of a cheap banking journal written in Bengali and containing information regarding the financial conditions of the world, history of the growth and description of the working system of the banks of almost every country and of every kind, amalgamation, etc., may be carried on at the instance of Government, so that these people may know at least in theory what modern banking is. Such literature may change their angle of vision.

(iii) Under the present circumstances, no special facilities can be recommended.

(iv) The indigenous banking community will resent any measure for regulating their operations and giving publicity to their work.

Question 10. The indigenous bankers very seldom go beyond their own resources. Unacceptable securities are not entertained by them. But some of the money-lenders at times accept the securities of doubtful title if there be prospect of a very big profit. Advances in such cases are very small in proportion to the value of the property. They accommodate demands so long as their funds permit. When there is no fund they refuse. But sometimes the indigenous bankers go beyond their means and borrow either from banks or from men of means to meet demands, provided there is sufficient attraction for it, i.e., first class security, percentage of profit high or very respectable party.

Question 11. (i) The indigenous banking system may be linked with the central money market and provincial capitals on the basis of cash credit.

(ii) The idea is good but it is doubtful whether such a bank will be a paying concern. The volume of work may not justify opening of branches in every district but there are districts which may easily maintain branch banks.

(iii) The opening of branches of joint stock banks or of central reserve bank is always welcome. There is nothing to suggest about the management of these branches. So far as the opening of new local banks by developing a particular prosperous loan company if feasible is concerned I suggest the following:—

Indigenous bankers having reputation should be taken in as directors of these banks. Fortnightly return of the banks should be published over the signature of the directors and managers of the banks, and the same sent to important persons having money lending business in the locality. The directors are to be shareholders, and they should not be allowed to continue in their office if they transfer their shares. Maintenance of a separate reserve fund should be insisted on. There is need of a strict Governmental supervision otherwise it will be difficult to make the banks popular.

(iv) It has been pointed out above that the starting of a bank may diminish the rate of interest now charged by the indigenous bankers. But it should be borne in mind that the proposed bank will be established at a central place most likely at a business centre, so that it may function throughout the year. Now, the villages will be far away from the places where the banks will be located and the village borrowers will not always be able to furnish securities to the satisfaction of the banks which will mean advance without cover and promissory notes. So the indigenous bankers will not be totally deprived of their present advantage. On the other hand they will get on hypothecation of securities advances from the bank and supply capital to the village borrowers. Looking from the standpoint of the community as a whole the reductions of interest of the money-lenders or indigenous bankers will be amply compensated by the greatest good to the greatest number. I welcome the establishment of such banks.

Question 12. (i) There may be heavy surplus in the hands of a few indigenous bankers, but their number is so limited that we may leave them out of account. In the majority of cases the resources of these bankers are limited and the cash balance is by no means considerable.

(ii) The indigenous bankers find ample field for the employment of their capital locally. The percentage of the deposits of their surplus in the banks of the provincial capital is not so easy to ascertain.

(iii) I have told in my reply to question 11 (iii) how the new banks may win the confidence of the cautious investors and depositors and thereby put a stop to mufassal capital flowing into the provincial capital. It should be stated here that what is called flowing to the provincial capital goes to the mufassal during the seasonal demand.

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**Rai Sahib Jogendranath Banerji, Honorary Magistrate and
Municipal Commissioner, Naihati (24-Parganas).**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) The replies given below hold good in respect of the agricultural population on the borders of the riparian municipalities in the district of the 24-Parganas and do not apply to the district or the province as a whole. The system by which the agriculturist in these areas obtains finance is somewhat different from that obtaining in the interior of the district, as owing to the existence of several jute and other mills the people do not entirely depend on agriculture for their living and the influx of hordes of Peshwari money-lenders has facilitated the raising of loans at a moment's notice, though at exorbitant rates of interest.

(a) For expenses during cultivation, the small cultivators, who have no sons or relations working in the mills, have to approach the local money-lenders and in some cases, also the Peshwaris.

(b) Capital and permanent improvements are very rare in this part of the district.

(c) For other special needs, the same system as is referred to in (a) above, is resorted to with this difference that to meet the comparatively large expenses on ceremonial occasions, such as sradh, marriage, etc., they have to mortgage their cultivable lands to the local money-lenders.

(ii) Rates of the local money-lenders vary from Rs. 2 to Rs. 3 per cent. per month. Those of the Peshwaris from anna one to annas four per rupee per month.

Small loans, for which no security is demanded, are generally repaid after harvesting and selling the next crop, but the period for the larger amounts secured by the mortgage of land varies from 3 to 9 years. The Peshwaris generally lend money on hand notes and rely on their lathis for recovery.

My estimate of the percentages of secured and unsecured loans is 20 and 80, respectively.

In this part of the country, the transactions are wholly in the hands of professional money-lenders, there being no other banking organisation to help the cultivators.

(iv) No.

(v) The defect lies in the want of Co-operative Banks which should be started at suitable centres. The people have no option but to approach the professional money-lenders.

Question 2.—Rice and jute are generally sold at their homes, which are visited by dealers. The vegetables are sold in the nearest market.

The majority are unable to hold up, owing to the pressure of money-lenders and zemindar's agents.

(ii) The principles of co-operation are little understood. These should be brought home to them by starting Co-operative Banks within easy reach.

(iii) No such societies.

(iv) The riparian tracts which are contiguous to railway lines on both sides of the river require no additional facilities.

(v) See (iv) above.

(vi) and (vi-a) No such different classes.

(vi-b) The local growers of produce are small farmers, whose products are generally sold to the local mills. Firms and Companies dealing in the export trade have nothing to do with them.

(vii) As stated above, the small farmers are not affected by any one's speculative activities, as regards the movement of their principal crops.

(viii) and (ix) No facilities for internal remittance and none are required for this part of the country.

Question 3.—(i) It varies from Rs. 150 to Rs. 300 per acre. The value of good paddy and jute land is generally Rs. 300 per acre.

(ii) (a) Value depends on the contiguity to the District Headquarters or otherwise of the lands put up to auction.

(b) In the case of sale by Court decrees, the decree-holder somehow manages to make the highest bid, the legal fraternity helping one another's clients in this respect.

(c) The value depends on the position of the land, as regards water-supply, freedom from ravages by stray cattle and pigs, etc., freedom from inundation, etc.

Question 4.—(i) No.

(ii) The amendment is too recent to have any appreciable effect yet.

(iv) and (v) None in this part of the district.

(vi) I have no experience of the working of such Banks.

(vii) (a), (b) and (c) I would propose that in the final parchas issued on the completion of preparation of record-of-rights under the Bengal Tenancy Act, the names of all the parties having occupancy or non-occupancy right or rights at fixed rents should be entered instead of using the word *দিগর* (and others); that the finally published records kept in the Collector's office should be open to inspection by the public in the presence of a responsible officer on payment of a nominal fee; and that provisions similar to those of the Revenue Sale Law (Act XI of 1859)—by which revenue-paying estates are sold, for arrears of revenue, free of all incumbrances—be inserted in the Bengal Tenancy Act in respect of mortgaged agricultural holdings. The present procedure, by which the right, title and interest of the judgment-debtor only pass to the auction purchaser, requires modification, so as to reduce the burden on the good constituents of the proposed Banks.

(viii) (a), (b) and (c) At the start, working capital should largely come from the funds of the central institutions. Deposits will come in gradually, as people begin to have confidence in the stability of the banks.

Question 5.—(i) No.

(ii) and (iii) (a), (b) and (iv) It is impossible to obtain a fairly accurate estimate of the indebtedness of agricultural classes in a village, to say nothing of a whole district. Neither the lenders nor the borrowers will give any information to any officer that may be deputed for the purpose, as these people are very jealous of their social position, such as it

is, and would treat any attempt to pry into their private affairs, as an unwarranted abuse of authority. These things can come into light only when borrowing facilities at much lower rates of interest are provided by Government within easy reach and the borrowers are required, on guarantee of secrecy, to state in their applications the nature and extent of their existing indebtedness.

(v) In these areas, the debt is largely due to professional money-lenders.

(vi) The prices of agricultural products having risen greatly since last Great War, it does not appear that agricultural indebtedness is increasing.

(vii) My information is that in this and the neighbouring districts, the provisions of the Land Improvement Loans Act have done very little to meet the needs of the agriculturists, while, the Agriculturists' Loans Act comes into operation only when certain areas are affected by scarcity or famine.

(viii) The operations of these Acts may be made more prompt, if the present provisions as to the necessity of inducing a certain number of men to join in making the application or of finding sureties be relaxed.

(ix) They are here, there, and everywhere in this part of the country. Every mill village has its quota of them. They congregate under one or two leaders in each mill area, obtain their funds from some central organisation in Calcutta and lend small sums (gradually rising to pretty big ones) mostly to the mill workers (among whom are to be found some agriculturists) and, to a certain extent, to the agricultural population in the interior also. They generally lend on hand-notes at rates of interest varying from anna one to annas four per month and recover their dues by rough and ready methods, very rarely resorting to the Civil Courts. One of their systems of lending is kisti. They lend you Rs. 8, which you have to pay in nine consecutive weekly payment days at the rate of Re. 1 a week. If there is default in any week an additional annas four is charged. It will be seen that they begin to recover from the next week and the sums so realised are again invested.

(x) No.

(xiv) This can be done by Government starting more agricultural farms, such as that at Chinsurah, whence seeds and paddy may be lent during the sowing season and recovered at the time of harvesting, the necessary bonds being made free of stamp duty and registration fee.

(xvii) No, so far as this part of the country is concerned, as the people having other sources of income, such as wages earned in the mills.

Question 6.—(i) Garden produce is the only small industry existing in this part. Rice-milling exists, but it is in the hands of capitalists and not agriculturists.

(ii) I cannot suggest any, as none can be started single-handed until the benefits of co-operation are brought home to them by practical demonstration at convenient centres.

(iii) I can only suggest cotton cultivation and hand-spinning, which may be practised by the womenfolk during leisure hours as in ancient times.

(iv) and (v) The starting of a large number of Co-operative Banks.

Question 6B.—(i) Professional money-lenders.

(ii) On the occasion of daughter's marriage, sradh ceremony, litigation, house-building, etc.

In the case of secured loans, Re. 1 to Re. 1-8 per cent. per month; in the case of unsecured loans Rs. 2 to Rs. 3-2.

(iv) Generally speaking, it is not on the increase.

Parts IA and II.—Loan Offices and Joint Stock Banks in the Mufassal, and Indigenous Banking.

There are no Loan Offices, Joint Stock Banks or Indigenous Banks in this part of the country.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(ii) Postal Savings Bank is the only institution in existence in this part of the country.

(iv) Yes, at the Postal Savings Banks.

(c) Yes, by opening Savings Banks in the smaller Post Offices.

(vi) The habits of the people to invest in gold and silver are ingrained in them. The womenfolk will not allow of any profitable investment in Banks till their demands for ornaments have been satisfied to a certain extent.

Question 2.—(i) and (ii) Yes, they are popular and their popularity can be increased by reducing the prices to what they originally were.

(iii) Yes, to the small investors.

(iv) The salaried classes.

(v) By raising the amount of the yearly deposits, big traders and professional classes can be attracted.

Question 3.—(iii) If any money is saved after meeting rents, liabilities, etc., they generally keep the savings in their hand to meet unforeseen expenses and to gradually have some ornaments made for marrying their sons and daughters.

(iv) If any surplus is left after meeting the expenses referred to in (iii) above, it is occasionally lent to fellow-agriculturists on mortgage of cultivable lands.

Question 5.—(i) Yes, very strongly.

(ii) The chief reason is that 90 per cent. of the people have very little left to invest in Banks after meeting their household expenses, marriage and sradh expenses, cost of ornaments for their females and securing good land for cultivation.

(iii) Government loans for sanitary undertakings in rural areas, such as re-excavation of silted up Bils and Khals, which have the indirect effect of opening up large areas for cultivation, are not always available; much less are such loans available for productive undertakings. Government may find ways and means for meeting such demands before starting propaganda work for educating the people, as the latter have very little left to invest to such undertakings.

132.

Rai Kshitish Chandra Guha Bahadur, Manager, Sarail Estate (Tippera.)

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a), (b) and (c) The agriculturists obtain finance generally either from private money-lenders or joint-stock loan offices and a small number from the co-operative credit societies.

(ii) The rates of simple interest charged for small amount of advances for short period varies from Rs. 3-2 to Rs. 6-4 per hundred per month, and comparatively for bigger amount for longer period rates vary from Rs. 1-8 to Rs. 2 per hundred per month.

No security is usually taken for small loans for short period. Security is taken in cases of bigger amount in 10 per cent. of the cases, if not less. No advance is allowed on standing crops in this part of the district.

Percentage of secured loans is about 10 per cent. I think.

(iii) Government and Imperial Bank of India play no part in advancing finance to the agriculturists in normal year in this part of the district. The joint-stock banks, money-lenders and co-operative banks, etc., advance the money to the agriculturists. The merchants and dealers play a very nominal part.

(iv) No.

(v) The rates of interest as noted above in advancing agriculture are comparatively too high. The rates of interest of the co-operative societies seem to be moderate. If loans through co-operative societies be introduced in elaborate scale, it would be beneficial to the agriculturists.

(vi) No co-ordination appears to be in existence among the various credit agencies.

Question 2.—(i) The principal crops in this part of the district are jute and rice.

Re. Jute—It is first purchased by the beparies or farias from the raiyats and the beparies or farias take jute to the jute firms (merchants) at different centres and hats. Raiyats have no voice as to the price of their crops.

The raiyat cannot hold his produce of jute for better price for a longer time for the reasons—firstly, that he cannot store his jute in a suitable godown and safe place and, secondly, he is required to repay his debts, to pay his rents to landlord and to meet his emergent expenses.

The number of raiyats able to sell rice after keeping the quantity required for his own use is very limited in this part of the district.

(ii) There is little possibility of forming any pool for want of funds, etc.

(iii) There are a few co-operative sale societies dealing only in jute in this district financed by the central co-operative banks, and they work just like ordinary jute firms and the raiyats derive no benefit from these societies.

Question 3.—(i) Value of land per acre growing jute varies from Rs. 150 to Rs. 1,500 in consideration of situation and fertility of soil.

(ii) (a), (b) and (c) True valuation of land is not ascertained either in Government auction for non-payment of revenue nor in the event of sale by court decree, except in purchase by private negotiation stated in the preceding paragraph.

Question 4.—(i) There appears no legal impediment to mortgage of land and agricultural holding in this part of the district.

(ii) It is understood that the amended Bengal Tenancy Act has improved the situation of the raiyats (agriculturists) to some extent regarding credit.

(iii) As far as I can see, the agricultural holdings in this part of the district have not run into such smallness and fragmentation so as to stand in the way of establishing long term credit institutions. The people can secure advances on their holdings.

(iv) No such banks in this part of the country. The loan companies and the private money-lenders invest money on mortgage for long term.

(vii) (a), (b) and (c) The present system appears to me to be all necessary. Any improvement upon the present system does not appear to be urgent.

Question 5.—(vi) Agricultural indebtedness is increasing in this locality.

(ix) No itinerant money-lenders, i.e., Kabuli money-lenders, are found in this part of the district.

(xiv) The raiyats can be better helped through the Government seed store under the Agricultural Department with loans of seeds and paddy to be repaid after the following harvest with a nominal interest.

(xv) No such system in vogue.

(xvii) Yes.

(xviii) Yes.

Question 6.—(i) No such industries allied to agriculture.

133.

Mr. Jnanadaprasad Mukerjee, Pleader, Rampurhat (district Birbhum).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(a), (b) and (c) From professional money-lenders or mahajans and co-operative societies.

(ii) Rates of interest vary from Re. 1 to Rs. 3 and annas 2 per cent. per month and period is from 3 to 12 years and lands are generally mortgaged for the loans, though in many cases loans can be obtained on simple bonds and hand-notes. About 90 per cent. of the loans are secured by land mortgage.

(iii) Taccavi loans are given on rare occasions and in case of famine. Loans are generally obtained from professional money-lenders and to a certain extent, from co-operative societies.

(v) Whenever loan is required, the agriculturists are compelled to borrow generally from professional money-lenders on high rates of interest and they are thus subjected to their domination. The starting

of Co-operative Societies in almost each village and their efficient management may furnish some remedy in these matters.

Question 2.—(i) Principal crops are sold by the raiyats (1) at their home to whomsoever they like and whenever they think necessary, (2) in arats or shops of the locality and (3) sometimes in the neighbouring rice-mills. It is only the well-to-do raiyats who can hold up their crop for a better price and those who are in want cannot afford to do so.

(iii) A co-operative sale society, registered under the Co-operative Societies Act and affiliated to and financed by the local Central Bank, was started a few years ago at Rampurhat, but it failed and had to be liquidated owing to inexperienced management and other causes, e.g., indifference and want of sympathy of the people.

(iv) Hundis are not discounted in local centres; and they are sent to a provincial centre and discounted and sometimes they are held by merchants, etc.

Question 3.—(i) The value of paddy land per acre is from Rs. 300 to Rs. 900 generally.

(ii) Factors affecting such value are mainly—(1) fertility and productive power of lands and (2) their convenient situation so far as the purchaser is concerned.

(a) and (b) Generally fetch less value.

(c) Generally sold at proper price unless purchased by unscrupulous mahajan from a helpless debtor.

Question 4.—(i) None.

(ii) Instead of increasing, the pre-emption clause and the provision for immediate payment of nazar at the time of sale are prejudicially affecting the credit of the agriculturists, the raiyats, the holders of occupancy holdings.

(iv) There is no land mortgage bank here, strictly speaking. There are co-operative societies with central banks over them and these societies grant loans sometimes on mortgage of land.

(v) These co-operative societies are run on model bye-laws of the department and raise capital by loans from central banks generally, to which they are affiliated.

(vi) By starting land mortgage banks under the Co-operative Societies Act and getting them conducted under departmental model bye-laws.

(vii) (c) In matters co-operative, reference to, or inspection of, relevant entries in record-of-rights and certified copies thereof may be allowed free of costs.

(viii) (a) Largely from deposits and (b) funds from central institutions and (c) to a certain extent from debenture bonds.

(ix) At the initial stage debenture bonds should carry Government guarantee for principal amount only.

(x) Government may be empowered by special enactment in this behalf to realise its dues as arrears of revenue.

(xi) Agricultural Mortgage Bank should raise money on interest on the security of its shares sold and general assets and should lend out money on higher interest on mortgage of lands by its debtors.

(xii) It may be so included after the elapse of some period of its successful working.

Question 5.—(i) Rupees 5,000 for an ordinary village.

(ii) By taking note of assets and liabilities for each individual of a village.

(iii) 9 per cent.

(b) 10 per cent.

(iv) (a) to (b) 10 per cent. on each head, (i) nothing, and 20 per cent. for miscellaneous necessities.

(v) Professional money-lenders largely, and co-operative societies to a certain extent.

(vi) Agricultural indebtedness is increasing in this locality.

(vii) To a very small extent not worth mentioning at all.

(ix) There are Kabuli money-lenders here. They lend out money on hand-note on high rate of interest, always try to realise the due out of court and sometimes sue the debtors in court when they fail to do so amicably.

(xi) To a very small extent. Debtors should, in their pleadings, raise, whenever reasonable, through their pleaders and press for decision, points covered by the Usurious Loans Act.

(xiii) In some cases only by taking bonds for larger amount.

(xiv) Through the establishment of co-operative paddy societies.

(xv) 50 per cent. compound interest.

(xvi) Rupee 1 to Rs. 3; annas 2 per cent. per month in case of money loan and 50 per cent. compound interest in case of paddy loan. Dues are tried to be realised amicably and payment is enforced by suit when necessary.

(xvii) To a certain extent in some cases.

(xviii) In cases only when the debtors are absolutely sure that it is no longer possible for them to retain their lands.

Question 6.—(i) Gur-making from sugar-canes, and garden produce.

(ii) By finding out some suitable market for such produce through the agencies of Agricultural or Co-operative Department.

(iii) Rearing silk cocoons and weaving cloths for rough use, etc.

(iv) By loans from co-operative societies.

(v) Co-operative societies in the village.

Question 6A.—(i) Loans from professional money-lenders.

(ii) By starting co-operative societies.

Question 6B.—(i) Loans of small amount can be obtained from professional money-lenders on high rate of interest.

(ii) For domestic necessities and expenses of social ceremonies generally. Rate of interest in the case of secured loans is from Re. 1 to Rs. 2 per cent. per month and that of unsecured ones is from Re. 1-8 to Rs. 3-2 per cent. per month.

(iii) Loans can be obtained from professional money-lenders generally and to a certain interest from the co-operative societies

where there are any. Better financial facilities can be given through opening co-operative societies amongst such people.

(iv) It is generally on the increase.

Question 7.—(ii) The funds of the co-operative societies which are largely derived from loans from Central Bank do not allow them to meet all demands and necessities of members so as to free them from all outside debts; but it should be also taken into consideration always that the amount of money required to meet those demands cannot be given to most of the members, with a view to its safe realisation, on their existing assets and liabilities.

(iv) No competition at present, there being no other bank here.

(vi) Such concessions as set forth by way of illustration may be given for growth of co-operative movement.

Question 7A.—(i) Not desirable; by that the bank may incur loss and may be involved in litigation.

(ii) No.

(iii) No.

(v) Co-operative central banks may be specially authorised in their pure banking aspect, as distinct from its co-operative feature, to undertake such remittance business on reasonable costs.

Question 7B.—(i) It is lowered a little, it seems.

(ii) Only to a very small extent.

(iii) Indifference due to want of education, idleness and want of experience in the management and working of these societies and specially the idea that these societies are not in a position to supply all their demands in cases of necessities and that they will be always compelled to go to professional money-lenders for all sorts of loans.

Part III.—Investment Habit and Attraction of Capital.

Question 1.—(iii) (1) Post Office Savings Bank and Cash Certificates. (2) Co-operative central banks.

Question 2.—(i) Yes, the interest may be increased a little or rather the table of initial amounts may be reverted to the scale of original issue, e.g., Rs. 75 for Rs. 100 as before.

(ii) Please vide answer to (i) above.

(iii) No.

(iv) Middle class bhadralogs.

(v) By educating them about its utility and, if possible, increasing its rate of interest a little.

Question 3.—(iii) They spend the money at their whims—some lend out to others needy and some deposit in central banks and very few in Post Office, some keep it in the shape of paddy stored.

(iv) Yes, on high rate of interest as professional money-lenders. Surplus money in a prosperous year is spent and invested as indicated above in answer to (iii).

Question 5.—(i) Yes.

(ii) Want of experience and want being habituated in this matter and non-existence of banks before.

134.

Mr. Nalini Kanta Goswami, Balurghat (Dinajpur).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) The word “agriculturists” in the question is rather too comprehensive and I would like to divide agriculturists of this subdivision into three classes, viz.:—

- (1) Big jotedars who cultivate their lands mostly by adhiars or bargadars.
- (2) Small jotedars who themselves cultivate mostly their lands.
- (3) Adhiars or bargadars who mostly cultivate jotedar's lands on condition of getting half the produce as their remuneration.

Big jotedars themselves finance their cultivation and small jotedars mostly do the same and supplement their funds by borrowing from local mahajans and banks and co-operative societies where established. The third class aforesaid get an advance without interest from the jotedars, which is locally called “bhuti” to meet purely cultivation expenses which is repayable generally in next Magh or Phalgun and they further obtain paddy in advance from the jotedars for ration on condition of repayment in kind with 50 per cent. interest (generally termed “derhi”) out of his share in the produce and they take small loans from jotedars.

(b) Practically speaking, no such improvements have hitherto been made in this locality owing to many difficulties one had to meet at the hands of the zaminders.

(c) Jotedars borrow from local mahajans and banks as much as they can and the other class turn into day labourers and beggars and sometimes without employment they starve.

(ii) “Bhuti” as aforesaid carry no interest. Paddy advanced as aforesaid carries 50 per cent. interest in kind, but this percentage is much reduced owing to the difference in prices in the months of Bhadra and Aswin when it is borrowed, and in the months of Magh and Phalgun when it is payable. Other loans carry interest at the rates varying from 18 per cent. to 37½ per cent. annually, repayable generally in Magh or Phalgun. Joint stock loan offices and mahajans take land security and in some cases zaminderies are taken. Co-operative societies issue small loans on sureties.

Seventy-five per cent. of the loans which are strictly agricultural are unsecured but in the parts where co-operative societies exist the proportion is reversed.

(iii) Government and the Imperial Bank of India play absolutely no part; joint stock banks advance agricultural loans to certain extent. Co-operative societies, professional money-lenders, merchants and dealers supply the loan also to a certain extent.

During the last famine in this subdivision, however, Government was constrained to issue agricultural loan.

(v) (a) Government loans under Land Improvements Loans Act and the Agriculturists' Loans Act have been practically beyond the reach of the agriculturist. Government does not look to the welfare

of the agriculturists. Sufficient money to be earmarked in the budget for the loans and to reach the money to the actual needy in the way alluded to in my answer to question 5 (viii).

(b) Insufficiency of co-operative societies in rural area. Reasons due to inactivity of departmental officers and absence of propaganda by the department, thereby keeping the people ignorant of co-operative principles.

(c) Owing to the above two causes agriculturists are compelled to take loans at a higher rate of interest from banks and professional money-lenders.

(d) Loss of credit of agriculturists owing to their poverty. This may be remedied by improving the pecuniary condition of the people.

(e) The system of financing agriculturists as alluded to in answer to (i) (b), though easy and beneficial, is defective as it makes the debtor rather much too dependent upon the creditor. The reason is, during cultivation season when they have no other means of earning money to meet their daily expenses and as they do not get loan from any other sources owing to want of credit they naturally look up to their jotedars. This may be remedied by improving their pecuniary conditions and supplying them paddy loans without interest during cultivating season.

(vi) There is no co-ordination. There is sufficient scope to improve the state of things.

Question 2.—(i) Raiyats generally sell their produce to middlemen—fariahs generally (locally termed gariwalas) are the supplying agency within the subdivision. Export of paddy out of the district (which is the main marketing) is made through these fariahs to (i) boatmen of different districts who flock the ghats only during the rainy season, as the rivers and water channels are not navigable all the year round, and (ii) to big aratdars of markets on the railway side.

Excepting big jotedar who generally holds up his crop for better price, the other two classes are unable to do so, reasons being sheer poverty. In some cases raiyats sell their standing crop in advance to meet their exigencies and in most cases the demands of zaminders for rent and abwabs, of mahajans for interest and principal and of shopkeepers for their prices of articles sold on credit, compel the raiyats to sell their crops in harvest season.

(ii) In this subdivision pools of merchants with big capital have existed. Pools of raiyats either public or private, and public companies, registered under the Indian Companies Act or on co-operative sale and supply basis, have much possibility only if the capital required be supplied to them by Government loan or loan from Provincial Co-operative Bank. The raiyats generally live on the margin of their incomes and have no capital in hand and this is the reason why without any outside capital no such pools or sale and supply societies will be possible here. The Co-operative Department is also not taking very active interest for the introduction of these useful institutions.

(iii) There is no co-operative sale and supply society in this district.

(vi) (a) and (b) Banks play no part, merchants and dealers themselves sometimes advance, on condition of supply at a stipulated price agreed upon, loans to the fariahs or gariwalas who carry on the articles

both ways. Such advances are commonly known as "dadans" are made both by the merchants as well as fariahhs.

(vi) (a) These fariahhs carry on the business on speculation. When they are required to borrow capital, they pay interest at the ordinary rate prevalent in the locality and they try to purchase at a rate cheaper than market rate and derive profit, if any, thereby. At the time of receiving loan they agree to deliver the articles to the financier.

(b) There are speculative buying and selling activities. It is within common knowledge, and I have personal knowledge, that such "dadans" are made in Aswin and Kartik before harvest season at the rate of Re. 1-8 to Re. 1-10 per maund (60 tolas) by the merchants, who again hold up and sell at Rs. 2-8 or so per maund. Better return can be ensured to the growers if their pecuniary condition be improved or their immediate pecuniary wants be met by pools and co-operative sale and supply societies or by banks as aforesaid and thereby to eradicate middlemen.

(vii) There is no such monopoly nor want of a definite standard of quality of paddy or jute, etc.

(viii) Besides post offices, which are also rather scarce in this part of the district, there are no facilities for internal remittances.

(ix) Want of co-ordination among banks has paralysed such public facilities. Improvement may be made in this district as well as in the neighbouring districts by establishing co-ordination amongst banks through a federation of banks.

Question 3.—(i) Average price of paddy-growing land is Rs. 250 per acre and that of sugarcane and jute-growing land Rs. 200 and that of rabi crop growing land is Rs. 150 per acre.

(ii) As paddy is grown with less labour and capital, the land growing paddy is in higher demand.

In cases under (b) and (c) there is little difference in actual prices. In cases of court sales where bid falls lower than the prevalent rate the lands are previously mortgaged or otherwise incumbered.

● **Question 4.**—(i) and (ii) There was legal impediment as lands were non-transferable. Since the passing of the new Bengal Tenancy Act the impediment has been removed and this Act is calculated to increase credit of the agriculturist.

(iii) No.

(iv) There are no Land Mortgage Banks or Agricultural Banks in this district nor any bank for the provision of long-term credit. lines:—

(a) They should be on co-operative principles to be registered under the Co-operative Societies Act.

(b) They should be on the share basis, at least half the share value be uncalled emergency.

(c) They should be on limited liability basis.

(d) Area should be at least a thana area.

(e) Managing committee to be strictly elected by the shareholders. In special circumstances of the locality local share holding land-holders may have a few reserved seats on the committee.

The purpose of the Bank would be to render relief to an encumbered person by taking mortgage of his whole immoveable assets in consideration of clearing all his outside debts and realise the principal with interest by long instalments. The mortgage property will be in the possession of debtor who will be further required never to take any other loan from outside without the permission of the Bank. He should also be given small short-time loan.

(vii) (a) Record-of-rights should contain description of the boundaries on all four sides along with number of each plot and description of the class to which the plot belongs and more clear statements of the title and interest of the holder.

(viii) Working capital should be at the preliminary stage largely debenture bonds purchased by Government and secondly deposits from the public, the shareholders and the central institution.

(ix) At the latter stage debentures may be issued to the public and in this case they should carry Government guarantee both for principal and interest.

(x) Reserve uncalled share money as aforesaid should be the security.

(xi) With Government guarantee money raised to carry $6\frac{1}{2}$ per cent. and without Government guarantee debenture 8 per cent. to 9 per cent. and deposits 3 per cent. to 9 per cent. according to the term of the deposit.

Money should be lent out at Rs. $12\frac{1}{2}$ per cent. to Rs. 15-10 per cent. according to short and long-term.

(xii) No.

(xiii) The bank should undertake rent payment of the mortgage property on nominal interest and easy instalments for repayment should be introduced. On the other hand, the debtor will not be allowed to incur any further debts from outside without permission of the Bank which may itself meet the requirements on short period loans.

Question 5.—Collection of accurate figures is practically impossible as the matter of indebtedness is confidential in nature and the money-lenders and borrowers think it derogatory to their interest and position.

(v) In this part, debts are largely due to professional money-lenders and secondly to banks, co-operative societies.

(vi) Increasing.

(vii) In this subdivision except during the last year's famine such loans have rarely been issued and that too to a very insignificant amount.

(viii) Each Union Board should be called upon to submit applications from individuals who require such loans and money should be issued directly by the Circle Officer.

(ix) Itinerant money-lenders, such as Kabulis, have now-a-days been scarce.

(xi) Very useful purpose has been served by the passing of this Act. This Act is availed of only in cases where there have been suits.

(xii) No.

(xiii) Generally not.

(xiv) By co-operative agricultural societies and dharmagolas.

(xv) Dehri system 50 per cent. per year.

(xvi) I know of the above rate and 6 pies per rupee per month on the price of the paddy taken, agreed upon by the parties on the basis of the anticipated highest price of the year. In the former case the interest is consolidated for the year and it is realised for part of the year as well, and in latter case it is calculated per month, generally it is realised in Magh or Falgoun.

(xvii) Yes. In this part of the country they are being turned into adhiars, i.e., agricultural labourer with half the produce as remuneration.

(xviii) Yes.

Question 6.—(i) Rice-milling rather rice-husking is largely in vogue amongst the womenfolk of the agricultural labouring class and it is they who supply the local needs. Gur-making and vegetable-gardening are made in the parts where the land is of poli class. Recently after the last famine jute-spinning and weaving and cotton hand-spinning have been introduced in the famine area. Jute spinning and weaving has been from time immemorial in vogue in many parts of the district.

(ii) Propaganda with demonstration of the actual working with small improved machinery in the interiors is calculated to encourage and popularise the industries. If a production can economically be effected there will be no difficulty in marketing.

(iii) Fashionable bamboo works, small scale oil-machine and other grinding-machine, button-making, comb-making, fashionable toy-making, bone manure and paper-making may be introduced.

(iv) and (v) Working capital may be effectively supplied and secured by co-operative societies and by Government loan corresponding to Land Improvement and Agricultural loan.

Question 6B.—(i) Pure day labourers get nowhere any loan unless any relative of substance stands surety for them. Fishermen of this part are mainly agriculturists, fishing is their supplementary work. All these classes get loan from professional money-lenders and banks.

(ii) Loans are made generally to meet any additional expenses over their subsistence. Rates of interest vary from 12 per cent. to 37½ per cent. according to the amount. Insignificant difference between secured and unsecured loans.

(iii) Government does nothing. Co-operative banks help only partially as they cannot meet the demands fully. Joint stock banks primarily look to their own security and profit. By establishing co-operative societies among different classes of people and also by facilitating issue of Government loan as referred to in my answer to question 5 (iii).

(iv) It is on the increase.

Question 7.—(i) No relation. The local central co-operative bank and the joint stock bank work independently in their own ways.

(ii) No difficulty.

(iii) The local Central Co-operative Bank does not require any extra capital. It does not find means to invest its surplus funds.

(iv) No.

(v) Does not arise.

(vi) Yes. Exemption of income-tax already given to co-operative societies but interest on deposits and debentures issued by central co-operative banks and other organisations registered under Co-operative Societies Act should also be exempted from income-tax.

(b) Fees on money orders between co-operative societies and central banks should be half reduced.

Question 7A.—(i) This is against co-operative principles but it is desirable that co-operative central banks should be permitted to grant loans to individual members and depositors up to certain portions of their paid-up share capital and deposit money.

(ii) Yes. In section 32, sub-section (d) "approved for this purpose by the Registrar" should be omitted.

(iii) Yes.

(iv) Nothing.

(v) Co-operative central banks are in a position to undertake banking business as remittances of money from one place to another if the Treasury rules be amended to give facility to the central banks for the same.

Question 7B.—(i) In the rural areas where co-operative societies have been established and its neighbouring places the rates of interest have been considerably lowered.

(ii) In places where co-operative societies have been established the local mahajans who used to issue small loans on exorbitant high rates of interests have ceased to issue such loans.

(iii) The term "Co-operative Bank" is rather vague. In this subdivision no attempt has hitherto been made and no necessity has also been felt for organising Co-operative Central Bank in rural areas.

(a) Want of mass education and culture, (b) poverty of the agriculturists, (c) most of the agriculturists being landless labourers, (d) want of credit of the agriculturists, (e) want of propaganda and proper attempt by the departmental officers, and (f) aloofness of the leading men of the public owing to unnecessary interference of the departmental officers are in my opinion main factors that operate against the rapid spread of co-operative societies in rural areas.

Part 1A.—Loan Offices and Joint Stock Banks.

Question 1.—The loan offices and banks of this subdivision are deposit receiving and money lending agencies.

Question 2.—The Balurghat Sontosh Bank, Ltd.—

(a) Paid-up share capital	...	8-28
(b) Reserve fund	...	5-14
(c) Short-term deposit	...	16-30
(d) Intermediate deposits	...	16-33
(e) Long-term deposits	...	54-00

The Balurghat Town Bank, Ltd.—

(a) Paid-up share capital	... 4-00
(b) Reserve fund	... 6-00
(c) Short-term deposits	... 24-00
(d) Intermediate deposits	.. 26-00
(e) Long-term deposits	... 40-00

There are 2 or 3 other newly started banks.

Question 3.—(i) Rates of interest on fixed deposits vary from Rs. 4-8 to Rs. 9 per cent. per annum. Rate of current account deposits is Rs. 3 per cent. per annum. There is another class of deposits which carries no interest.

(ii) Six years.

Question 4.—The Balurghat Sontosh Bank, Ltd.—

(a) Paid-up share capital	.. Nil.
(b) Reserve fund	.. 27-85
(c) Short-term deposits	.. Nil.
(d) Intermediate deposits	.. 71-94
(e) Long-term deposits	.. 2

The Balurghat Town Bank, Ltd.—

(a) Paid-up share capital	.. 4-20
(b) Reserve fund	.. 36-70
(c) Short-term deposits	.. Nil.
(d) Intermediate deposits	.. 56-55
(e) Long-term deposits	.. 2-45

Question 5.—(i) There are no fixed periods and purposes for which loans are granted. Rates of interests vary from Rs. 9-12 to Rs. 37-8 per cent. per annum according to the amount of loan and kind of security of credit.

(ii) Yes. If interests be not paid within the year it is added to the principal at the beginning of the next Bengali year.

(iii) No.

(iv) Yes. Loans issued on bonds fall due after next harvest season. Generally no steps are taken unless they are about to be barred by limitation or become heavy.

Question 6.—(i) This institution lends money to big and small jotedars on mortgage and on promissory notes, simple bonds according to the credit of the borrowers.

(ii) Except co-operative societies, these institutions can serve the purposes of agriculturists better than other agencies. If joint stock societies form rural subsidiary agricultural societies they will serve the purposes better than co-operative societies.

Question 7.—(i) Yes. Some of these banks have got mercantile business. Very small proportion.

(ii) (a) Want of sufficient funds.

(b) Want of co-ordination among these banks with Calcutta banks.

Question 8.—(i) According to the Articles of Association the Balurghat Sontosh Bank, Ltd., is bound to set apart at least 20 per cent. of the net profit in reserve fund. In other local banks there is no hard and fast rule.

Reserve fund is mixed up with the working capital.

(ii) Dividends—

Year (B.S.)	Balurghat Sontosh Bank, Ltd.	Balurghat Town Bank, Ltd.
	Per cent.	Per cent.
1331	12½	60
1332	15	75
1333	7½	20
1334	7½	10
1335	12½	15

Other local banks have not yet declared any dividend.

Question 9.—(i) Accounts are kept in Bengali. Every item of receipts and expenditure is entered then and there in cash book. Receipts are granted for the amount received and vouchers are taken for every item of expenditure either in ledger or in separate paper. Separate ledgers are maintained for each loan issued or different kinds of deposits. Every item of receipt either of principal or interest is entered in the ledger account as soon as any money is received. A general ledger is also maintained. Pass books are given only to depositors either fixed or current who are to produce them for every transaction. Separate registers for interests on deposits and dividends are also maintained. No system of chalan or cheque is introduced here.

(ii) Yes.

Question 10.—The banks and loan offices should be federated into a federal bank.

Question 11.—In places where there are no co-operative societies if the villagers combine together and take joint loan on joint and separate liability according to their need they may expect to get the loan at lower rate of interest and that will be very useful to the agriculturists.

Question 12.—No.

III.—Investment Habit and Attraction of Capital.

Question 1.—(iii) In two of the local joint stock banks and in Central Co-operative Bank there are three different kinds of provident deposit funds at a monthly rate of payment for fixed periods, minimum rate of monthly payment being Rs. 2, besides deposit system for various periods and attractive rate of interest.

(iv) In spite of the full facilities that these banks afford they cannot be availed of (a) by the public for want of facilities in communications by roads and posts and also (b) owing to scarcity of banks in rural areas.

(v) Existing facilities cannot be improved unless the abovenoted difficulties are removed.

Question 2.—(i) Postal Cash Certificates are not popular in this district.

(ii) The present interest rates of Cash Certificate require revision and the existing terms of issue need change.

(iii) Savings Banks do not afford all possible facilities to the public.

(iv) Very small number of literate middle class of the locality where there are banks and loan offices which receive current deposits, resorts to savings bank deposit.

(v) Yes.

Question 3.—(iii) Professional men, such as legal practitioners, medical practitioners, invest their excess funds in banks and loan offices.

Big jotedars invest their excess fund in banks and in money-lending business locally and in landed property.

Small jotedars and agricultural labourers have got no excess money. Merchants invest their excess funds in banks and money-lending business and in landed property. Mahajans invest their fund in money-lending business and in landed property.

(iv) Yes. Short-term loans carry no interest and long-term loans carry interest. They invest their surplus fund in landed property and in money-lending business.

Question 5.—(i) Yes.

(ii) Poverty, want of communicating facilities and want of knowledge in banking matters.

(iii) Propaganda and exhibitions—

Through primary and secondary education both theoretical and technical.

Provision for practical scopes and fields and opportunities.

(iv) No Imperial Bank in this district.

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Mr. Murari Mohan Roy, Pleader and Secretary to the Agricultural Association, Contai (Midnapore).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) For expenses during cultivation the agriculturist in our part of the district has to look to himself; those who cultivate land of others under bhag or sanja system get loan of paddy from the owners of the soil.

(b) Capital and permanent improvements are very rare.

(c) When any special need arises, e.g., when the crops fail on account of flood, drought, etc., the agriculturists seek help of the Government and the landholders as well but with very feeble response. Land revenue and rent are chiefly paid by selling the produce.

(ii) The rate of interest charged in this part of our district is generally 10 (ten) seers of paddy per maund for each harvest; loans are generally taken for the period of one harvest season (generally extending from the months Jeth and Asadh to the months of Pous and Magh, Bengali). There is no security. But when the land is cultivated under bhag the agriculturist repays the loan (if any) at the time of division of crops. In this part such loans are usually unsecured.

In my estimate the percentage of secured debts is 20 per cent. and that of unsecured debt is 80 per cent.

(iii) When there is failure of crops the Government sometimes offer help in the shape of agricultural loans.

Now-a-days there are co-operative banks in some centres wherefrom the agriculturists get loans at $12\frac{1}{2}$ per cent. per annum.

Professional money-lenders also advance money at a high rate varying from 12 per cent. to $37\frac{1}{2}$ per cent. per annum.

(iv) Capital of about Rs. 50,00,000 may be required for the various purposes stated above for this district.

(v) The defects in the present system of financing agriculture are the following amongst others:—

- (a) The agriculturist cannot get sufficient funds;
- (b) the agriculturist cannot, for want of funds, launch into experiment in a new line;
- (c) the agriculturist has to pay an exorbitant rate of interest in the case of loan from money-lenders.

The following are the reasons for the existence of such defects:—

- (a) The number of co-operative banks is not satisfactory and its rate of interest is not very low and also the funds are not sufficient to meet the demand;
- (b) want of competition amongst the money-lenders;
- (c) want of other organisations giving credit.

The following are the remedies suggested by me:—

- (a) A large number of co-operative banks and other banks or organisations should be started in order to enable the agriculturists to have easy access to them;
- (b) the rate of interest should not exceed $6\frac{1}{2}$ per cent. per annum;
- (c) agriculturists should be allowed sufficient funds with a very low rate of interest.

(vi) No co-ordination among the credit agencies, the latter being very few as above noted.

Question 2. (i) In this district the raiyats generally sell the crops in hats as necessity arises. They sell a larger portion of them in the months of Pous and Magh at a very low price to pay off rents, to clear the dues which they previously borrowed during the cultivating season and to buy necessary articles such as clothing, etc., and to meet other household expenses.

Raiyats are always in need of money; so they usually sell the crops just when they get it and are unable to retain it for a higher price in future.

(ii) If a co-operative society be started which will advance money to the raiyats at a low rate of interest on security of the crops to be sold, and sell the crops at the highest price and pay the balance if any after deducting its dues, then the raiyats may to a certain extent be gainers.

(vi) In this part there are no banks, bankers and merchants; the—

(a) dealers purchase the crops in hats, mokams, and ganjas and

(b) carry them to Calcutta by means of boats and trains, wherefrom the dealers buy clothes and other articles and convey these to those hats and mokams and ganjas.

(vi) (a) The terms are all cash with respect to export only, but with regard to import sometimes the articles are purchased on credit. No difficulty is experienced in connection with above financing.

(vi) (b) In some parts of our district growers of jute and rice take advance from dealers in export trade and thus become bound to sell the same at a reduced price. As regards the solution of this problem I refer to the suggestion made in Question 2 (ii) noted above.

(vii) Lack of banking facilities is due to borrowers' lack of credit only in this part, there being no monopoly, etc. Moreover the people are not accustomed to banking facilities.

(viii) No other facilities except those stated in (vi-a).

(ix) Vide 2 (i). If the wants of the agriculturists are removed by advance of money from village co-operative societies without or with a very low rate of interest the defect in the present system may to some extent be removed.

(x) In this district negotiable instruments other than promissory notes are not so much in vogue in the trade circle. These instruments facilitate trade or business to a great extent and steps should be taken to introduce these and other systems of easy transaction in all parts of the province.

(xiii) Yes.

(xiv) No.

(xv) System of hundis are unknown in the locality.

(xvi) No. No.

(xvii) Nil.

(xviii) Nil.

(xix) Nil.

(xx) Yes, the Government should take the initial step in this matter and assist financially.

Question 3. (i) In this district the value of the land per acre varies from Rs. 60 to Rs. 600.

(a) Land producing paddy per acre is worth Rs. 200 to Rs. 500 only;

(b) land producing jute and other crops per acre worth Rs. 300 to Rs. 600 only;

(c) other lands producing occasionally rabi crops is per acre worth Rs. 60 to Rs. 100 only.

(ii) The various factors that determine the value of the land are:—

(1) Quantity of produce (fertility of the soil).

(2) Amount of rent or revenue.

(3) Right of tenancy.**(4) Possibilities of destruction of crops by floods or drought or other miscellaneous reasons.****(5) Kinds of crops grown.****(a)** There is no fixity of such value; generally 10 to 15 times the net profits reserved for the landlord.**(b)** In case of sale by court decree the value of land goes higher than that in case of private negotiations.**(c)** For value of land in private negotiation—vide 3 (i) above.**Question 4.** (i) Under the existing Bengal Tenancy Act the lands held by under-raiyats and non-occupancy raiyats are not transferable.

(ii) Under the Bengal Tenancy Act as it stood before the amendment of 1928 the raiyats in this part could transfer their holdings by sale or mortgage without any possible inconvenience from their landlords, but by the amendment an inequitable sum of money in the shape of landlords' fees together with numerous other costs has been imposed upon transfer by sale, gifts, etc., in addition to a right of pre-emption reserved in favour of landlord in the case of sale. Moreover, the form of usufructuary mortgage which was so much prevalent in this part has been altogether abolished in case of occupancy rights. These facts have culminated in dwindling the credit of the agriculturists to a great extent.

(iii) In my opinion the smallness and fragmentation of holdings will not stand in the way of establishing long term credit institutions.

(iv) There is no long term credit institution, nor mortgage nor agricultural banks in this district except co-operative banks.

(v) These banks (i.e., co-operative) take deposit on 9 per cent. from people and $6\frac{1}{4}$ per cent. from Government and advance loan on $12\frac{1}{2}$ per cent. per annum.

(vi) Land mortgage banks and agricultural banks may be established in the line of co-operative banks with a longer term and lower rate of interest.

(vii) (a) To avoid possibilities of disputes and counterclaims, the specific share and interest of each person named in the column of tenants, amount of land which each of them holds and the rental thereof should be explicitly stated.

(b) The process of foreclosure and sale may be simplified in this way:—If the money be not paid before the due date a notice will be served through the court upon the debtor allowing him a period of grace, generally 6 months, failing which the property will be foreclosed or put to sale by court auction.

(c) Costs of reference to record-of-rights may be avoided by supplying the mortgage banks with copies of record-of-rights of the villages under them. In case of registration of records, registration officers will supply these with the information immediately. As to process of law, mortgage banks should be allowed to proceed without court fees and other opportunities enjoyed by co-operative banks.

(viii) The working capital should largely be derived, if possible, from deposits.

(ix) There should be Government guarantee for the principal alone.

(x) If the mortgage banks are started under Government supervision there will be very little likelihood of their failure.

(xi) The mortgage banks may raise money by private deposit at $7\frac{1}{2}$ per cent. per annum, and from central institutions at 6 per cent. per annum, and the debenture bonds will be paid in 10 years at double the amount and these should lend out money at $12\frac{1}{2}$ per cent. per annum.

(xii) Yes.

Question 5. (i) The existing indebtedness of the agricultural classes in a small village will amount to Rs. 1,000 including debts for other purposes as well.

(ii) By referring to the registration offices and the President-Panchayats of the unions.

(iii) (a) 40 per cent.; (b) 2 per cent.

(iv) There are numerous cases in which the debts were incurred for (a), (b), (c), (d) and (e). The greatest part of debts in our part of the country is contracted for household expenses.

(v) Professional money-lenders and co-operative banks.

(vi) Agricultural indebtedness in this locality is decreasing.

(vii) These Acts play very little part in improving the conditions of the agriculturists.

(ix) No itinerant money-lenders in this part, but Kabulis deal in shawls and clothes on credit.

(x) I can give lots of such instances. There are loans both in cash and in paddy with interest at quarterly rests, half-yearly rests and annual rests as well accumulated generally for about 13 years (i.e., for the prescriptive period from the date of payment).

(xi) Usurious Loans Act X of 1918 is availed of to some extent in this locality. For the greater use of the Act, the courts may be directed to follow it strictly even in ex-parte cases.

(xii) No.

(xiii) Yes.

(xiv) Agricultural associations should be organised in each union with a store of seeds and may advance loans of seeds to agriculturists without any interest or with a very small rate of interest.

(xv) Ten seers of paddy per maund of paddy per year (i.e., one harvest season).

(xvi) In cases of amicable payment of debts, simple interest varying from 12 per cent. to $37\frac{1}{2}$ per cent. is charged generally according to the contract, but the debtors get some deduction from the sum total of capital and interest; but in enforcing the payment of debts through court the creditors generally calculate the interest at the rate stated in the document, either simple or compound, and fix the claim according to the valuation of the property mortgaged. No compound interest is charged for any debt in case of amicable payment, although there are recitals to that effect in many such documents.

(xvii) Yes.

(xviii) Yes.

Question 6. (i) The following classes of subsidiary industry are to be found in this part:—

(a) Rice-milling, (b) gur-making, (c) hand-spinning and weaving, (d) mat-making.

(ii) The industry of gur-making may be encouraged by supplying the cultivators with better sugarcane cuttings and by introducing cultivation on a scientific basis whereby a greater amount of produce of better quality may be obtained.

Industry of hand-spinning and weaving may be encouraged by making it popular and by giving instructions and training in a scientific way so that they may profitably turn these into business.

(iii) The enterprises wherein they may engage themselves when they are not engaged in cultivation, are hand-spinning and weaving and mat-making and, if possible, producing silk and tussor fibres and preparing fine cloths and preparation of ropes from cocoanut fibres.

(iv) Private sources, if possible aided by Government.

(v) By starting joint-stock company under the supervision of the Government.

Question 6A. (i) The very few industries that exist are financed by companies.

(ii) If there be joint-stock company there will be better financial facility.

Question 6B. (i) People of this part are more or less agriculturist. There are no facilities for those who are not agriculturists except promissory notes.

(ii) No special distinction between loans to agriculturist and non-agriculturist. This class, although very few in number, borrows money for household expenses and for business and for marriage expenses.

(iii) They get help to a certain extent from the co-operative banks through the security of the members and from money-lenders also by way of loans.

(iv) The indebtedness among these classes is gradually decreasing.

Question 7. (ii) The capital of the co-operative societies does not suffice to meet the demand; so the Government should invest it with more capital.

(iii) In my district the money required for extra capital for running the co-operative banks on a sound and working basis may amount to 5 crores of rupees.

(iv) No competition.

(v) No.

(vi) It is desirable for the stimulation of the growth of the co-operative societies, the deposits should be exempted from income-tax. There is also probability of issuing debenture bonds by provincial debenture banks and reduction of fees on money remitted through post offices is highly desirable.

Question 7A. (i) Yes, it is desirable.

(ii) Yes.

(iii) Yes.

(iv) There being no other banks except co-operative banks the relation between them cannot be defined.

Question 7B. (i) The prevailing rate of interest has been lowered and checked to a certain extent.

(ii) The transactions which the money-lenders had previously are diminished by about 15 per cent.

(iii) The money-lenders, who generally belong to the middle-class that exercises influence and takes a leading part in all actions beneficial to people, regard these institutions as prejudicial to their interests and do not like to advance money to these societies which are always in want of funds. Want of education also tells upon its rapid spread.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) The existing banking resources in this district are the Government and the money-lending class.

(ii) The additional capital required may amount to 10 crores of rupees.

(iii) There is, properly speaking, no such institution; sometimes the people deposit what little they can save in the postal savings bank or in the co-operative banks; the richer among them invest money in the Imperial Bank and other banks and Government securities and cash certificates.

(iv) No.

(v) Yes, by allowing the people easy access to co-operative banks which may be started in a larger number in all places.

(vi) Some people invest in gold and silver specially in ornaments.

Question 2.—(i) Postal cash certificates are not so popular. It may be popularised by increasing the amount of interest and by advertising the same.

(ii) Yes, the present rate of interest requires revision by way of increments. Terms need not be changed.

(iii) No.

(iv) Generally those who hold any service or employment take to depositing in savings bank.

(v) By increasing the number of post offices and by making them easily available to the people and, if possible, by introducing a system of lottery whereby a number of prizes will be distributed amongst the highest depositors.

Question 3. (iii) The various groups of people spend the money as soon as it comes to their hands in purchasing household necessities, for pilgrimage and for other social and ceremonial rights, e.g., marriage, *sradh* and presents, etc. Sometimes they spend rather extravagantly. Generally they keep the money with themselves for future expenses.

(v) Farmers have sympathy among them and lend to their fellow-farmers without any interest.

They do not invest but they do enjoy themselves and entertain their friends and relatives.

It is not possible to give such an estimate regarding amount, growth and distribution of capital among the indigenous population.

Question 4. (iv) Yes, vernacular script is to be maintained in the records of the banks, for then it will be readily understood by the people at large.

Question 5. (i) Yes.

(ii) People are not aware of the usefulness of these institutions and the advantages reaped from them. Moreover the people are not generally in the habit of adapting themselves to any innovation introduced in their country.

(iii) By the direct method of giving them instructions and demonstrating the utility of the same to the people they may be induced to invest their money in productive undertakings.

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Mr. Birendra Lal Roy, Manager, Nadia Raj Wards Estate.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) For expenses during cultivation the agriculturists mostly take loan of money from local mahajans and in some cases take loan of seeds of special crop from the dealers of such crop. In very rare cases they obtain finance from itinerant Ka'ulis at a very high rate of interest.

(b) From the same source, but very little permanent improvement is made by the agriculturist tenants.

(c) From the same source as well as from Government under the Land Improvements Loans Act and Agriculturists' Loans Act in case of failure of monsoon.

(ii) The rates of interest vary from 12 per cent. to 75 per cent. per annum. Sometimes money is taken in advance from dealers of jute on condition that the produce will be sold to them at a price fixed at the time of advance. This is practically a *dadan* system. In the case of loan of seeds, the repayment is made in kind after the harvest at the rate of one and one-fourth to one and one-half times of the quantity taken. The period for which the loan is taken is ordinarily fixed for one year, but its repayment depends on the produce of crop. The nature of security consists of the mortgage of landed property, village houses and ornaments, utensils and cattle.

About three-fourth of the debts are unsecured. The percentage of secured and unsecured debts is 25 and 75 respectively.

(iii) In agricultural finance the local money-lenders, merchants and dealers play the most important part.

(v) The principal defects are:—

(1) The high rate of interest charged by the mahajans, merchants or dealers.

(2) The eagerness of those money-lenders in realising their loan either in cash or in kind by attaching the crops as soon as they are harvested and by selling them at their own sweet will. This is the main cause why the poor agriculturists cannot shake off their chronic indebtedness and improve their condition and cannot pay off their legitimate dues to the zemindar in time.

The only remedy seems to be to establish indigenous banks in the rural areas and free supply of seeds to the actually indigent agriculturists by the Agricultural Department of Government. It may also be suggested that some villages may be grouped in unit and the headman of each unit may be enlisted as member of the co-operative bank, so that loan may be given to the agriculturists of the villages at a moderate rate of interest on the personal security of the headman concerned.

Question 2. (i) The present method of marketing principal crops in this Estate is—

- (a) As stated against (v) (2) above, the raiyats are compelled to sell their crops to the dealers and creditors at their own houses at the village or at some central place within the village.
- (b) They take the remainder of their crops, if any, to the nearest market or, if necessary, to some distant markets for sale. By such sale they get a high price and after paying off the conveyance and other charges they generally obtain a good profit.

As the cultivating raiyats in this estate are mostly poor and indigent and are involved in debts they are unable to hold the crop for a better price.

(iv) The credit facilities are the existence of *arats* at the market place. In the event of the crops taken for sale in the market are not sold on the very day they are brought there, the crops are stacked in the *arats* and the *aratdars* get a small commission, say 1 or 2 annas per rupee on the sale price. Of course, this is done in case the commodities are large and are brought from distant places. In the case of small quantity of commodities, the raiyats take them back home for sale at the next market day.

(vi) (a) & (b) The import and export trades are exclusively in the hands of the big merchants, specially the Marwari merchants. Almost every one of them has *arats* or *mokams* in big rural markets where the commodities are first stacked and then conveyed to Calcutta. The indigenous tradesmen, of course the big ones, purchase their commodities from those merchants at credit to be payable by sale within a fixed time. These indigenous tradesmen again in their turn sell their articles to the smaller tradesmen or grocers who have their shops in the interior of the district at similar system and from whom the consumers purchase their necessary articles by cash price or at credit if possible.

Question 3. (i) The value of aman land per acre is Rs. 150 on the average.

The value of aus land per acre is Rs. 60 on the average.

The value of other lands which are cultivated for the second time in a year for rabi crops is Rs. 120 per acre on the average.

(ii) The factors affecting the value—

- (1) Fertility of the soil.
- (2) Kind of crop capable of being raised.
- (3) Supply of labour.

- (4) Marketing or exporting facility of the produce.
- (5) Status of the occupier of the land.
- (6) Amount of rent charged.

(a) (b) & (c) The value of land sold in auction by Government for arrears of rent, either in certificate cases or in execution of Civil Court decrees, depends mainly upon the quality of lands under sale as well as upon the number of bidders present at the auction sale. The value of land sold at such sale is generally low in comparison with the prevailing market price on an average for such lands as sold and purchased by private negotiations. Generally, lands of inferior quality which yields very small profit is put to such auction and if no bidders are present in court to purchase the defaulted lands, it is purchased by the landlords up to the amount of his dues. In rare cases the raiyats allow the fertile lands which yield rich crops to be sold in Government auction.

Question 4. (i) No, except where the raiyats cultivate lands in utbandi system.

(ii) The amended Bengal Tenancy Act has influenced the credit of the agriculturists having raiyati holdings to almost the same status as that of a raiyat having permanent holdings, and has thereby given to the agriculturists every facility of mortgaging their respective lands.

(iii) In the case of smallness and fragmentation of the agricultural holdings, no use can be possibly made of them by the institutions giving long terms, if they are subsequently foreclosed or sold for debts.

(iv) No.

Question 5. (i) to (iii) It is not possible to give even an approximate estimate without general and individual statistics. In the case of registered bonds whether secured or unsecured the information can be gathered by consulting the record of the registration office, but in several cases the unsecured bonds for small amount are not registered and no bond whatever is taken in case debt is incurred on the pledge of ornaments, utensils or other moveables.

(iv) Generally debt is incurred for—

- (a) repayment of earlier debts, for which high pressures are given by the creditors.
- (b) Marriage or other social occasions specially sradh of the father or mother.
- (c) Famine or other kind of distress.
- (d) Payment of rent.
- (e) Purchase of cattle seeds and manures.

(v) Professional money-lenders of the nearest village.

(vi) Seems to have increased.

(ix) Yes. The Kabulis lend money in two ways—(1) in kind and (2) in cash.

(1) They roam about the village just at the beginning of the winter season with warm cloths and give them to the customers on credit charging about $1\frac{1}{2}$ times of the market price of the cloths on condition of payment by instalments.

(2) The Kabulis advance money to the villagers charging interest at the rate of 2 annas or more per rupee per mensem.

In both cases they take down the names and addresses of their customers in a pocket book. They come again the next year and extort their dues with threats.

(xiv) If the Government Agricultural Department does not agree to lend seeds for cultivation a store-house for seeds and paddy may be kept in all union boards and co-operative societies, and loan may be given on moderate rate of interest payable in kind.

(xv) The prevalent rate of interest on paddy loan varies from 25 per cent. to 50 per cent. in kind.

(xvi) Interest is calculated from the month of advance even if it be the last part of the month up to the month preceding that on which the loan is repaid, that is grace for a month is generally given.

The repayment of debts is enforced by recourse to law.

(xvii) Yes.

(xviii) Yes.

Question 8. (i) There are no industries worth the name. Only sugarcane and date-juice molasses are prepared in some parts of the estate.

137.

Mr. Bhairabnath Banerjee, Purandarpur (Birbhum).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) (a) There are two classes of agriculturists in the district of Birbhum—(1) Agriculturists who own lands, which are cultivated by labourers, who are paid in shares of the produce. These labourers are either krishans, who work with cattle, plough, seeds and manure supplied by their masters, and are paid one-third share of the produce; or bhagjotedars, who have to supply cattle, implements, seeds, etc., and are paid half-shares. These labourers get advances of paddy and cash money from their masters, and these advances are adjusted at the time of the harvest, with interest. The krishans are sometimes exempted from interest by a good master.

(2) The second class of agriculturists are owners of lands which they cultivate themselves. They are better off than the first class agriculturists, who have their lands cultivated by labourers. The cultivators have sometimes to go to the mahajans and borrow paddy and money at high rates of interest.

The bhadralog class agriculturists have also to borrow money from the mahajans, but in their attempt to keep secrecy of their indebtedness they make their condition worse, and their debts swell with compound interest, so much so, that ultimately the mahajans swallow their properties.

Some of the bhadralog agriculturists earn money by trade or service and with that income they finance their agriculture.

(b) For capital the agriculturists have to go to the mahajans or to have recourse to other sources of income, namely, service, trade, etc.

They cannot make permanent improvements, unless they get a surplus in the harvest after meeting all their agricultural and family expenses.

(c) For other special needs they have to go to the mahajans. During the distress of 1334 B.S., on account of failure of monsoon, I have seen thousands of agriculturists, both bhadralog and cultivator, to go to the mahajans and to secure paddy and money loan with the greatest difficulty and at an exorbitant rate. The terms for paddy loan were simply horrible. They took paddy loan in the months of June to August or September, when paddy was selling at Rs. 4-8 per maund and had to execute bonds for the then value of paddy plus 50 per cent. interest, payable in January (harvest season) in kind or in cash. So Rs. 6-12 was payable in January, when paddy was selling at Rs. 3-4 per maund. It comes to this that for one maund of paddy borrowed by the cultivators only five or six months ago, they had to part with more than two maunds. So the rate of interest was practically cent. per cent. in six months or 200 per cent. per annum. There was a good harvest in 1335 B.S., but after satisfying the mahajans, the agriculturists had no surplus left. Many of them could not pay rent to the zamindars, and most of them had nothing in hand to buy Pūja garments for their children. Such is the horrible condition of the agriculturists, and unless some arrangement for financing them made, these poor agriculturists will be extinct in no time.

(ii) The rates of interest for paddy loan is 50 per cent. for a season, which is approximately six months. This is a short term loan, repayable in January or February at the latest. Failing to repay at the time, their interest is compounded.

The following rates of interest are commonly charged for secured loans:—

Small loans up to Rs. 500— $1\frac{1}{2}$ down to $1\frac{1}{4}$ per cent. per month.

Above Rs. 500 up to Rs. 1,000— $1\frac{1}{4}$ down to 1 per cent. per month.

Above Rs. 1,000 up to Rs. 2,000—1 down to 12 annas per cent. per month.

Above that sum—8, $7\frac{1}{2}$, 7 down to 6 per cent. per annum.

For unsecured loans the rates are higher and varies according to the credit and urgency of demand of the borrower. Zamindars have sometimes to borrow money for payment of revenue or patni rent (Regulation VIII) at even $2\frac{1}{2}$ or $3\frac{1}{2}$ per cent. per month.

Nature of security—Land mortgage by registered bond, or ornaments and other movables.

Percentage of secured loans—70 to 75.

(iii) Small loans are sometimes granted by the Government to selected agriculturists. But the amount is very small. There is no joint stock bank or branch of Imperial Bank in Birbhum. Co-operative banks have been established in many villages, but they have not yet been able to meet even a quarter of the demands of the agriculturists. The professional money-lenders play the most important part in agricultural finance and they are gradually swallowing the property of the agriculturists. The merchants and dealers give credit to the cultivators, charging higher rates and on condition of payment at harvest season. The Kabulis also lend money to the cultivators at very high rates, and realise their dues in the harvest season by show of lathis.

(iv) About a crore of rupees.

(v) The following are the defects:—

- (a) The mahajans charge exorbitant rate of interest and thus drain all their resources.
- (b) The debtors are never released from the clutch of the mahajans, whose sole aim is to swallow the properties of the debtors.

As a remedy I suggest that a network of banks or loan offices should be established in every district, to finance the agriculturists and to save them from the jaws of the money-lenders.

(vi) There is no co-ordination at present among the various credit agencies, which should be established.

Question 2. (i) The usual method by which the agriculturist markets his crops is that he carries the same to the nearest bazar or rice mill and sells at the current rate for cash price. Speculative middlemen advance money before Aswin to many cultivators on condition of buying from them certain quantities of paddy at a stipulated rate.

The raiyat is unable for many reasons to hold up his crops for a better price. Firstly, he has to meet the speculative middlemen from whom he might have taken advance. Secondly, he has to meet the demands of the money-lenders from whom he has taken advance and whose dues fall in the harvest season. Thirdly, he has to pay the landlord's rent, which cannot be deferred. Fourthly he has to pay the settlement costs this year. Lastly, he cannot carry his crops to the bazar during the rainy season for want of a cartable road, though he pays road-cess from his hard-earned money.

(ii) These difficulties may be solved to a certain extent by starting co-operative sale and supply societies in all the bazars for financing the farmers in their times of need and selling the crops at the most favourable times and at the highest available rates. These societies must have sufficient control over capital and so they must have to be financed by the banks.

(iii) There is only one such society at Metla, near Dubrajpur. The selection of place has not been very happy. I have no knowledge of its constitution and working.

(iv) At present there is no credit facility for the financing of products during marketing. The credit facilities that are required are that sale and supply societies (after being started) should advance money to the farmers for their crops weighed and delivered at the gola of the society, at the rate of 80 per cent. or 90 per cent. of the current rate, and after selling the crops at the best available rate, should pay the balance.

(v) There is no external trade in this district.

(vi) (b) Yes, the grower of produce in India does not get the full value of his produce for the speculative buying of firms. He has to feel another difficulty on account of the control of merchants and dealers over the market. I have already stated that these difficulties can be solved by starting a network of sale societies.

(vii) It is due to want of money and the indifference and unwillingness of the bankers to finance Indian merchants. In some places, such as Budge-Budge, Magrahat and other places in the Sunderbans, the European exporters have almost the buying monopoly. These firms have very liberally advanced money to the producers, who are always

more or less indebted to the firms and cannot sell their produce to others. The Indians have no such control over funds, and the banks do not finance them, and hence they cannot compete with these European firms.

(viii) Nothing in the district of Birbhum, except through the Birbhum Central Co-operative Bank, Ltd. But the rate of discount of the bank is a little higher than that of Calcutta banks, and the benefit can be enjoyed by the people of Suri town only.

(ix) The rate of discount should be reduced.

(x) Payments by hundis are in vogue among Marwaris who have got offices in Calcutta or other places.

(xi) For extensive use of hundis, there must be a network of banks, having mutual transactions, and having transactions also with the Calcutta banks.

(xii) Hundis payable at sight.

(xiii) Not necessarily.

(xiv) No suggestion.

(xv) No.

(xvi) Railway receipts only.

Question 3. (i) Value of land by private negotiation in every part of the district is as follows:—

(1) Rented paddy land (occupancy right) Rs. 70 to Rs. 100 per bigha, i.e., Rs. 200 to Rs. 300 per acre.

(2) Vegetable or (twice-cropped) (land-occupancy)—Rs. 150 per bigha.

(3) Sugarcane lands—Rs. 200 per bigha. In many parts of our district the value of land is twice or even thrice the rates given above. The value of rent free lands is always much higher than rented lands.

(i) The main factors affecting the value of land are:—

(1) Nature of right, i.e., rent free, mokrari or ordinary occupancy. The less the rent, the more the value.

(2) Nature of soil, of fertility and productive capacity.

(3) Irrigation facility. Low lands (jaljami) capable of containing more water are more valuable.

(4) Necessity of the seller or the buyer.

(5) Existence of money and buyer in the locality.

The value of land sold in Government auction sale is usually much below the above price, and it entirely depends upon the attendance of bidders. Under normal conditions lands are sold in execution of rent decree, at 50 per cent. to 75 per cent. of the above rates according to the attendance of buyers; but in execution of other decrees, i.e., mortgage or money decrees, the rate is even less as bidders have to deposit the 20 per cent. landlord's fees and they cannot be certain of the land having any prior charge or not at the time of sale.

Question 4. (i) No.

(ii) It has increased their credit to a certain extent. Formerly the mahajan was afraid of accepting mortgage of an entire jote, lest the landlord would eject the same after sale. That difficulty has now gone.

(iii) Under the new Bengal Tenancy Act, smallness and fragmentation of jote do not stand in the way of long term credit as they can be consolidated by mutual exchange.

(iv) There is no land mortgage or agricultural bank in Birbhum. The co-operative banks issue long term loan to members only, but that also for not more than three years.

(v) The question does not arise.

(vi) These banks should issue long term loans on sufficient security. They should also issue short term loans on pro-notes to selected persons having personal credit. They should have local directorates, including at least one official. The accounts should be audited by Government auditors. These banks should have mutual transactions and co-ordination. They should open current accounts.

(vii) (a) Nothing, (b) nothing, (c) yes, these costs should be reduced.

(viii) The working capital should be derived mainly from funds from central institutions. Deposits will be received after establishment of sufficient credit of the bank. Debenture bonds may also be issued at that stage.

(ix) Yes, both for principal and interest.

(x) Inclusion of Government officials in the directorate and audit of accounts by Government auditors.

(xi) Terms for raising money—with Government guarantee, 6 per cent. to 7 per cent. per annum; without Government guarantee, 7 per cent. to 8 per cent. per annum. For lending money usually 12 per cent. should be more for small loans and less for big loans.

Question 5. (i) Roughly, the agricultural indebtedness of the district of Birbhum is a crore of rupees.

(ii) Village to village survey.

(iii) (a) 50 per cent. (nearly) with land as security, (b) the balance 50 per cent.

(iv) For all these purposes more or less, except (h) and (i), the major portion being for marriage and other social occasions. The Muhammadans spend large sums and incur debts for litigation.

(v) The debt is largely due to professional money-lenders, only a very small proportion to the co-operative societies.

(vi) Increasing.

(vii) A very small percentage, even for less than 1 per cent.

(viii) Yes, more money should be placed at the disposal of the collector, and an officer should be specially put in charge for prompt enquiry and disposal of the loan applications.

(ix) Yes, the Kabulis. They advance money and cloth at exorbitant rates, with sometimes on pro-note or hatchitta, and sometimes without anything, relying on simple pencil entries in their note-books. They realise their dues in the next harvest season by the show, and sometimes by the use, of their lathies.

(xi) Not availed of. The civil courts should be instructed to extend the measures of protection provided by the Usurious Loans Act to all debtors.

(xii) and (xiii) I do not know.

(xiv) Starting seed-stores and dharmagolas.

(xv) Vide reply to question 1 (ii).

(xvi) Vide reply to question 2 (ii). The month in which payment is made is not counted in calculating interest.

(xvii) and (xviii) Yes.

Question 6. (i) There are 42 rice mills in the district of Birbhum. There are small brassware manufacturing industries at Nalhati Dubrajpur, Tikarbata, Kumarghosh, Lonbaria, Hazratpur, etc.; bell-metal industries at Dubrajpur; tasar-weaving industries at Karidia, Tantipara, Birsingpur, etc.; silk-weaving industries at Basara-Bishnupur, Bhalkhuti, Ganutia, etc.; cotton-weaving industries at Alunda and many other places; shellac toy industry at Illambazar.

(ii) Arrangement should be made for financing, supplying raw materials and selling finished products of these industries, by starting co-operative societies. But the artisans are so very conservative, that it is very difficult to induce them to form societies. I had practical difficulties in starting weaving and other societies some 12 or 13 years ago, as honorary organiser of co-operative societies.

(iii) If the farmer is the only male member of his family he has got sufficient engagement in his fields throughout the year, for producing paddy, wheat, gram, mustard-seed, peas, vegetables, sugarcane, oil-seeds, etc. He can, however, grow cotton in his fields, and spin and weave the same in his leisure time, with the help of the women of his family, and in this way he can make provision for food and clothing for his family without spending cash money and without going to the bazar. If, however, he has got other male members in his family, he can keep some or all of them engaged in dairy-farming, gardening, weaving, tailoring, shopkeeping, etc.

(iv) Starting banks, loan offices and co-operative societies.

(v) Banks.

Question 6A. (i) From my business experience of more than twenty years I estimate, roughly, that not more than 10 per cent. of the Indian industrial concerns are financed by individual capitalists; of the rest some are private companies, some private limited companies and some public limited companies. It is a matter of great regret that Indian concerns do not get any financial help from the banks, while the European companies are allowed heavy overdrafts. This differential treatment by the banks has compelled many Indian companies to close their business. Those who are dragging on with the utmost financial difficulty cannot work satisfactorily. For want of sufficient circulating capital they cannot get satisfactory outturn, thus resulting in a higher cost per unit and less profit. So they fail to declare as much dividend as the European companies do, and the blame falls upon the management. I have seen the pottery works at Raneegunge, managed by a European firm, and yielding a huge outturn and immense profit; I have also seen an Indian-managed pottery works at Tangra, somehow dragging on, for want of sufficient working capital; I have seen two or three European-managed firebrick factories at Magura, all running at a mail-speed on account of their huge control over capital and support from the banks. There are two Indian-managed firebrick factories too at Magura who do not get any help from the banks, and consequently they are working slowly and making small profit on account of paucity of funds. Such is the case with every blessed Indian concern. A paper-milling company was registered by

Indians a few years ago, but for want of funds and bank support it was to be liquidated before even beginning to erect the factory. An iron and steel company was started and the factory was built up—I mean the Kirtyanand Iron and Steel Company, Ltd., but it was also doomed. Indians have got many acid factories in Calcutta and its suburbs. But D. Waldie's factory has overshadowed all of them. Similar is the case with glass factories, cotton mills, rice, oil and flour mills, collieries, engineering works and all Indian industrial concerns. These concerns either cannot start work, or if they start work at all, do not survive for want of capital or financial support from the banks. In most cases of failure the whole blame falls upon the shoulder of the poor managing agents, who are charged with inefficiency, incapability, mismanagement, dishonesty and what not. The English Press proclaims by beat of drum the business incapacity of the Indians. But the real diagnosis is not made by any one.

(ii) I suggest that the Imperial Bank should show the way of financing Indian industrial concerns, on the security of their properties and other assets, although they may remain outside Calcutta, and then other banks too will follow the example.

Question 6B. (i) These people have to take short term loans on their personal credit. Widows and other female members of bhadralog class families lend money to these classes of people at an interest of one pice to two pice per rupee per month, and their debtors generally attempt to pay off their dues within the stipulated period, and to keep their credit; in fact, sometimes the small traders have to borrow money at (chota-sood) or daily or weekly interest, varying from half-anna to two annas per rupee per week, for the purpose of buying their merchandise. Service-holders borrow on condition of repaying on the next monthly pay day.

(ii) Service-holders and middle-class gentlemen usually borrow money for medical expenses, for marriage, sradh and other social occasions, for sending presents to sons-in-law, etc., for house-building. Small traders borrow for purchasing their merchandise. There is always a slight difference in the rate of interest in the case of secured and unsecured debts. I have stated above the rate of interest on unsecured loans, viz., one to two pice per rupee per month.

(iii) They get no help from the Government. If there are co-operative societies, they may get small loans on the personal security of some other member and on the joint liability of all the members.

(iv) Their indebtedness is on the increase.

Question 7. (i) There is no relation between the co-operative and other banks.

(ii) Co-operative societies get short term loans at a lower rate of interest, and long term loans at a higher rate. But the loans they get from the central bank is quite insufficient to meet the demands of their members; moreover the long term loans are also practically short term as they have to be repaid within three years. Long term loans for 9 or 10 years should be granted to the societies by the central bank and also larger sums should be lent.

(iii) About fifty lakhs of rupees.

(iv) and (v) These questions do not arise, as there is no joint-stock bank. Yes, all the concessions should be granted.

Question 7A. (i), (ii) and (iii) Yes.

(iv) There is no joint-stock bank here, hence the question does not arise.

(v) By remittance transfer through the Provincial Co-operative Bank. This system should be introduced between one central bank and another.

Question 7B. (i) Nothing.

(ii) To no extent. Co-operative societies have not yet been able to replace professional money-lenders at all, as they cannot meet even a part of the demands of the members, and their term of loan is very short.

(iii) (a) Want of finance. The societies cannot meet the demands of the members.

(b) *Joint liability (unlimited).*—On account of unlimited joint liability the well-to-do class gentlemen do not like to join these societies, because they are not in need of borrowing. So in many cases better classes of members are not available for management of the societies.

Part IA.—Loan Offices and Joint Stock Banks.

Question 1. (a) and (b) Nil.

(c) Jagadamba Loan Company, Ltd., Labpur.

Questions 2 to 9. Not known to me.

Question 10. It is a good idea, but first of all such banks and loan offices should be established and they may be federated into a central banking institution.

Question 11. By starting loan offices in all important centres.

Question 12. The question does not arise, as there was no bank here.

Part II.—Indigenous Banking.

As there is no indigenous bank in the district of Birbhum I am not in a position to answer the first ten questions.

Question 11. (i) and (ii) By establishing banks in every district and in all important centres, and by federating them into a central banking institution, thus establishing mutual transactions between each other, and transaction with the federation at Calcutta, the indigenous banking system may be linked with the central money market. This purpose may be better served by opening branches in all districts of the Imperial Bank or any other joint-stock bank with local directorates, and connecting the indigenous banking system.

(iii) If it is a branch of the Imperial or other first class bank in which people have already got full confidence, it will attract deposits from the indigenous bankers, and in this way competition may be avoided.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) Share capital, deposits and debentures.

(iii) Postal savings banks and insurance companies.

(iv) Yes, there are savings banks attached to post offices but the interest is too low and the people have no money to save.

(v) Yes, by opening post offices and savings banks in each union and by increasing the rate of interest.

(vi) The Indians are in the habit of investing in gold and silver jewelleryes, not so much in raw gold and silver.

Question 3. (i) No such facility exists except in Calcutta. No special facility in the mufassal is necessary.

(ii) The people of our district invest the major portion of the surplus of sale proceeds of their crops, after meeting all their family expenses, in purchasing new lands, building houses, corrugated iron roofing and improving lands.

(iv) Yes, they lend money to fellow-agriculturists on the usual terms of money-lending. In the prosperous year they buy new lands and ornaments of gold, build houses, excavate tanks, etc., marry their children.

Question 4. (i) It has benefited the people of the town who have got current account in the banks. It has encouraged people to open current account and has extended payment by cheques.

(iv) Nothing.

Question 5. (i) Yes.

(ii) Want of money. The people can hardly meet both ends, and they have scarcely anything left to save.

(iii) A propaganda may be made

(iv) Until and unless the branches of the Imperial Bank undertake to finance Indian agriculture, industry and commerce, i.e., they change their present method and policy of working, the people cannot be benefited.

138.

Mr. Dwijapada Kundu, M.A., of village Okersa (Burdwan).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) The agriculturists of the Burdwan district obtain finance for expenses during cultivation generally from the money-lenders of the villages and rarely from the rural co-operative banks recently started only at a few villages.

(b) For capital and permanent improvement, the agriculturists have generally to depend upon loans from professional money-lenders.

(c) For other special needs also they generally depend upon loans in money or paddy from the village lenders.

(ii) The rates of interest vary from 18½ per cent. per annum to 37½ per cent. in cases of loans from private persons and is 12 per cent. in cases of loans from rural banks. In cases of heavy loans, the security generally accepted and offered is land, and in cases of small loans, the security is ornaments, standing crops, even cattle or household utensils or other moveables. The loans for purposes under section 1 (i) (a) are generally taken for one year while they remain unpaid, as other loans, for several years.

In my part of the district (Burdwan) it seems that only about 20 per cent. of the loans are unsecured, the rest being secured.

(iii) Agricultural finance offered by Government is very rare in my part of the district. Finance offered by co-operative banks are too insufficient for the local needs. The majority of the loans are taken from the professional money-lenders. Merchants and traders help the agriculturists to a little extent by selling fertilisers, etc., on credit for a short period only.

(iv) About 80 per cent. of the agriculturists depend on loans of different description. To my estimate, an agriculturist owning an establishment for cultivation with one plough may require a loan of Rs. 150 during cultivation for successful farming. Loans for other purposes may vary from Rs. 200 to Rs. 400 according to the condition of monsoons.

(v) The present system of financing agriculture is defective for more than one reason—(a) the cultivators have to pay heavy rate of interest, (b) they do not get sufficient money for agricultural needs in due time and for want of proper security, and (c) paddy loans to which they are bound to have recourse to, require them to pay interest, at the rate of 50 per cent.

These defects exist as there is paucity of funds available for loans. Their poverty and want of provision for years of bad crops added to general indebtedness of the agriculturists may account for these defects.

To my opinion the remedy lies (a) in the more extensive opening of rural co-operative banks with suitable funds for offering loans supplemented by Government loans offered for general improvement and capital expenses specially during years of famine and scarcity, and (b) better education and creation of habits of thrift are no less important factors to serve as a remedy for the defects.

Question 2.—(i) For small purchases of the daily necessities of their life, the agriculturists generally exchange their crops. For other household expenses of small amount, they sell their crops to retail merchants at the village at a very low price. For capital expenses, e.g., for payment of rent of buying bullocks or agricultural implements, they sell their products at the nearest trading places, generally attached to some railway station or in the neighbouring rice mills where available.

The raiyats are generally unable to hold up their crops for higher prices. The general indebtedness of the present brought about by the improvement in the standard of living, habit of thriftlessness in connection with marriage or sradh ceremonies and the abnormal rise in the price of cloth and other articles of daily necessity together with the high rate of interest paid for the loans and more occasional failure of crops due to want or loss of irrigation facilities, has brought universal and constant poverty among them for which they have generally to live from hand to mouth.

(ii) The possibilities of co-operative effort in marketing produce are very few unless there is general rise in the education of the agricultural people.

(iii) To my knowledge there is no co-operative sale society in my district.

(iv) There are no credit facilities for the financing of products during marketing.

(v) (a) The export trade is generally financed by merchants and dealers, who may borrow money from banks or private professional money-lenders, occasionally the latter.

(b) The import trade is generally financed by bankers and big merchants at important ports or trade centres for foreign import. From them the imported articles are supplied to the village agriculturists through numerous smaller merchants and dealers at district or sub-divisional headquarters or some important railway or steamer stations, the bigger of whom are also financed by banks or private sources, generally the latter.

(vi) (a) In case of exportable articles if better finance is offered by banks, the village dealers may make purchase in big scale by which the producers may get higher prices for the commodities sold.

(b) The growers of produce no doubt get less value for his produce for want of transport facilities to the trade centres or more particularly for the control of prices by the buyers.

Transport facility and Government control may do away with the defect.

Question 3.—(i) The value of land for paddy varies from Rs. 300 to Rs. 1,050 per acre.

The value of land for paddy and an additional crop, e.g., rabi, potato, etc., varies from Rs. 800 to Rs. 1,800 per acre.

(ii) The value is affected by (1) rise or fall in the price of products, (2) failure of monsoon, (3) competition among purchasers depending on their circumstances and personal privileges.

(a) and (b) In auction sales the value is comparatively small for want of sufficient competition among buyers who may not all be present at the sale for various inconvenience more particularly for want of information.

(c) The same as in 3 (ii) above.

Question 4.—(i) No.

(ii) It has offered greater facilities.

(iv) No. There is none in my part of the district.

(vi) Agricultural banks should be established at least in each sub-division.

(vii) (a) The record-of-rights prepared by the Survey Settlement going on in the district will remove the difficulty.

(b) and (c) Rules of co-operative credit societies may be followed.

(viii) (a), (b) and (c) Yes.

(ix) Yes, for both.

(xi) Agricultural mortgage banks should raise money with Government guarantee on the terms of other Government loans and should lend it to the agriculturists at the lowest possible interest on security of land. On no account their loan should be allowed to accumulate to the extent of more than half the value of their total property. Persons owing any debt to the mortgage bank, should be debarred from entering into any other loan.

139.

**Translation of replies in vernacular by Mr. B. H. Chaudhuri, Kushla
(Faridpur)**

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1.—(i) (a) The agriculturists borrow from mahajans to meet expenses of cultivation.

(b) They seldom take loans for capital and permanent improvements.

(c) Sometimes they have to borrow to meet special needs, such as payment of land revenue, rent and scarcity due to failure of monsoon.

(ii) Interest is generally charged at Rs. 3-2 per cent. per mensem on big loans. On small amounts, the rate varies from Rs. 3-2 per cent. to Rs. 12½ per cent. per mensem. Land is generally offered and accepted as security, standing crops are rarely given as such. About 50 per cent. of the loans are secured. The more solvent of the agriculturists obtain loans without security.

(iii) The major portion of these loans are advanced by local money-lenders. Since the establishment of co-operative banks, the agriculturists have also been obtaining loans from them to a small extent.

(iv) The capital required for the district will be about 50 to 60 lakhs. If a co-operative bank with a capital of one lakhs each be opened at each thana, the agriculturists might be released from the clutches of the mahajans.

(v) So far as co-operative banks are concerned, they usually advance loans to undesirable numbers rather than to those who are really deserving.

(vi) There is no co-ordination of any kind between either the Government or the co-operative banks on the one hand and the local money-lenders who have practically monopolised the business, in the mufassal, on the other.

Question 2.—(i) The agriculturist cannot afford to wait for a better market for his crops owing to the inopportunity of the landlords and the mahajans for the payment of their dues. Owing to habitual indolence and an undefined dread of future harm, they fight shy of co-operative banks. Where the zemindar holds sway over a large area, he or his employees take advance from foreign merchants and force the raiyats to part with their crops for a nominal price ostensibly for recovery of rent, but actually for the benefit of those merchants. The raiyats are really helpless in this matter as they have no means of protecting themselves. Marwari traders very often supply the agriculturists with corrugated iron-sheets, timber, etc., against future supply by the latter of jute, mustard, sesamum, etc., after harvesting, at special prices dictated by the former. In these transactions, the Marwaris make profits bothways, e.g., they sell their tin at Rs. 24 per cwt. against the market price of Rs. 22 and contract to purchase jute at Rs. 10 per maund when the expected price would be Rs. 12.

(ii) The producers might combine to form pools for marketing of agricultural produce to secure better price and co-operative sale societies may be formed, provided educated and honest men inspiring

confidence are forthcoming and Government undertake the audit of accounts of such societies. The local people ordinarily do not command confidence of the raiyats.

(iii) Co-operative sale societies in Bengal are very few. Recently a few have been started at some district and subdivisional headquarters but these have not yet benefited the producers to any appreciable extent.

(iv) No raiyat requires any finance for the sale of his produce. Under the pressure of the mahajans, he has to sell his crop for whatever offer he then receives.

(vi) (a) Only the traders give dadans for importing goods from producing areas to exporting centres.

(vi) (b) If co-operative societies with a large capital be formed and advance money to the agriculturists against their produce at easy rates of interest, both the parties may then be benefited. At present the foreign and Marwari merchants control the prices of raw agricultural produce. If co-operative societies work as liaison bodies between the producers and the exporters and negotiate the price of such products with the latter, the producers will certainly get better price for their produce. The societies should, however, be prepared to give them small amounts as dadans to meet their current expenses.

(vii) Persons engaged in the movement of crops have very little banking facilities. This is due to want of organisation on their part. They work individually and cannot therefore build up a credit which it is only possible to secure by co-operative efforts.

(xv) Hundis are in use in big towns only where these can be discounted.

(xvi) There are no facilities for discounting hundis in rural areas, but these should be introduced through rural co-operative societies.

Question 3.—(i) Land producing jute is sold at Rs. 600 to 2,400 per acre according to quality. The price of land producing other crops varies from Rs. 300 to 1,000 per acre.

(ii) (b) In the event of sale by court decrees the value of land does not exceed the amount of claim, if the landlord or the creditor bids for it. In the case of other purchasers, the bid slightly exceeds the decretal amount.

(c) Land when sold by private negotiation fetches the price referred to in 3 (i) above, but the actual price settled is seldom stated in the conveyance in order to evade payment of the landlords' selami.

Question 4.—(i) Primarily the mahajans used to hesitate to take agricultural holdings on mortgage. Loans are very seldom taken on the hypothecation of standing crops.

(ii) The amended Bengal Tenancy Act has impaired the credit of the agriculturists.

(iii) Owing to smallness and fragmentation of holdings, the credit organisations have found it difficult to recover their dues by the sale of such lands, which hardly fetch a good price.

(iv) No such bank is in operation here.

(v) If such institutions are formed at every important rural centre and financed equally by the zamindars and the people, and also subsidised by the State, the agriculturists will be immensely benefited.

(vii) A separate establishment should be maintained at Registry offices for keeping the record-of-rights up to date. All documents tendered at such offices should pass through these officers, who will make necessary corrections therein before transmission to the Sadar Registry office and will also inform the registrants that their records-of-rights have been corrected. Arrangement may also be made for the supply of copies of records-of-rights to parties applying for the same. The additional cost involved may be recovered from parties as part of registration fees. The costs of reference, etc., incurred on account of defaulters may be met from the profits of the banks concerned.

(ix) Government should guarantee both principal and interest in order to attract funds.

(x) Government must be prepared to meet losses out of the provincial revenues.

(xi) These banks ought not to fix more than 6 per cent. per annum as their lending rate, as otherwise, the debtors will try to evade payment.

(xii) These debentures should be included in the list of trustee securities.

Question 5.—(i) About 90 per cent. of the agriculturists in the Eastern Bengal are involved in debt.

(ii) By searching the Registry offices and inspecting the accounts of the money-lenders.

(iv) Loans are taken for all the purposes enumerated here except (i)

(v) This debt is mostly due to the professional money-lenders.

(vi) Agricultural indebtedness is increasing.

(vii) The Acts are seldom utilised in Eastern Bengal.

(viii) If the Circle Officers be empowered to grant these loans, the rural people will be really benefited.

(ix) The itinerant money-lenders have not yet invaded the rural areas. They generally operate in the district and subdivisional headquarters and lend money to mill-hands, and other wage-earners as well as briefless pleaders and muktears. These money-lenders charge interest at annas 2 per rupee per month.

(x) One mahajan of Chandpur (district Tippera) has obtained a decree for Rs. 400 after waiving rupees 26 lakhs of the original claim, on account of 3 maunds Rangoon rice supplied. A former Government officer, while stationed at Madaripur, realised interest to the extent of Rs. 48,000 on a principal of Rs. 4,000 lent to a zamindar and ultimately released the debtor on a lump payment of Rs. 5,550.

(xi) Some courts reduce the rate of interest in decreeing money suits but it would be better for the people if the Hon'ble High Court calls for a monthly return from the lower courts showing the amount of interest claimed by parties and that actually decreed by the court.

(xiii) Yes. Bonds for twice or thrice the amount actually advanced is taken at a low rate of interest. If the law makes it incumbent on the creditor to make payment before the Sub-Registrar, these collusive transactions may be stopped.

(xiv) By the establishment of grain store locally known as "Dharma Gola" to help the raiyats in times of distress or emergencies. Every member of a co-operative society will have to contribute a certain amount of paddy to the gola to which the society will also contribute its quota out of its annual profits.

(xv) The interest on paddy loans is 50 per cent.

(xvi) In some localities, 100 per cent. is charged as interest. Such loan is payable after harvest and in case of default the interest is added to the principal and is thus compounded. In some parts of Nadia, many raiyats had to migrate to other places for protection against the enforcement of such loans.

(xvii) Yes. The raiyats have, in some instances, been reduced to the position of slaves to the mahajans.

(xviii) The raiyats have lost all incentive to better production. The rigid enforcement of debts by the mahajans have created bitter feelings against them everywhere.

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Mr. Hari Copal Basu, Pleader, Midnapore.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1, (i) (a) Agriculturists in my district (Midnapore), generally borrow paddy and, sometimes, money from the local mahajans (money-lenders) for the purpose of carrying on their cultivation.

They, generally, do not execute any bond for the loan. Cases are, however, known where to avoid the payment of stamp fees, etc., every year an old stamped and registered bond is made use of, the repayment of the old loan being sometimes not at all endorsed on the back thereof. Sometimes endorsements showing partial payments are made. The creditors take particular care that the bonds are not evidently barred by limitation.

The principal amount entered in the bond is generally, more than what the agriculturist actually borrows. There are some cases where the agriculturists execute documents for a certain quantity of paddy or money which they do not take all at once but by instalments, according to their requirements, the aggregate amounts, so taken, sometimes fall short of the principal amounts secured by the bonds.

The creditors however, keep accounts of the quantity of paddy or of the sums of money actually lent. As a matter of fact the agriculturists wholly rely upon the honesty of the creditors and the correctness of their account papers. But these creditors, in some cases, taking advantage of their position, entirely abuse the trust thus reposed and exact from the simple and helpless agriculturists much greater amount of paddy or money than what is actually due.

(b) Agriculturists are seldom known to borrow any amount to effect a permanent improvement to their agricultural holding except to add to or construct or repair their residential hut, when necessary.

They of course borrow cash money at times, generally for the purpose of the purchase of cattle and agricultural lands. This they do by executing registered simple or mortgage bond. They are also known

to purchase cattle from itinerant cattle dealers on credit, and on agreeing to pay interest on the unpaid purchase money at rates varying from 37½ to 75 per cent. per annum.

(c) In years of failure of crop due to drought or inundation or similar calamities, agriculturists generally borrow paddy and sometimes money either from their landlords or from the *professional* money-lenders for the purpose of the payment of rent, etc., and even sometimes for the maintenance of their families. Be it said, however, to the credit of the landlords and the money-lenders that they do not grudge advancing the loans, even without any security therefor.

(ii) In cases of loans of paddy the advance is generally made during the first part of the cultivating season, viz., between Asar and Aswin and the debts are realised as soon as the crop is threshed and gathered, viz., in Magh or Falgoon. The annual rate of interest in such cases varies from 3 *kuris* to 8 *kuris* in the *arha*, 16 *kuris* making an *arha* or from 18½ to 50 per cent. per annum. Where the repayment in Magh or Falgoon is not made, wholly or in part, compound interest is charged at the said rate on the unpaid balance till the final realisation. New, simple and, sometimes, mortgage bonds are taken for the loan but old bonds with endorsements are also used in several cases.

Security of standing crop is in a few cases taken.

Where a loan of cash money is taken the rate of interest charged is generally two pice (six pies) per rupee per month or Rs. 37½ per cent. per annum.

The interests are generally payable annually and compound interest at the said rate is charged on any unpaid balance.

It is very difficult to estimate, with any degree of precision, the percentage of secured and unsecured loans. If, however, an answer must needs be given, I would estimate the percentage of secured to unsecured loans at 1 to 5.

(iii) Before 1918, the Government granted loans in a very few cases and also very sparingly. Since then, till 1926 the grant of loans increased a little. But since 1926 and after the heavy flood which created a havoc in most parts of this district, especially at *Contai*, the Government has granted loans to the agriculturists by many thousand rupees.

To my knowledge, advance for agricultural purposes is not made by the Imperial Bank, nor by any joint stock banks, nor by indigenous banks, nor by any bankers or merchants such as are described in the question. It is only the professional money-lenders and sometimes the landlords who help the agriculturists with loans and in the way mentioned above.

Co-operative banks do sometimes grant loans according to their prescribed rules.

(v) The principal defect which is prominently noticeable is the high rate of interest charged by the professional money-lenders. As will be seen from the answers given before to the other questions, the lenders charge (where the loan is paddy) interest at even 50 per cent. for a period of only 4 or 5 months.

Another thing equally remarkable is the total confidence reposed by the borrower upon the honesty of the creditors, who, if ill disposed, realise astoundingly high amount of interest and it sometimes becomes

impossible for the cultivator to extricate himself from the meshes of the wily creditors who protract the loan though regularly repaid, even to generations. The Usurious Loans Act very seldom touches cases like these unless and until they are brought to the light in the law courts.

The reason of such defect, if one were to find it out may be, principally laid at the gate of the colossal ignorance of the generality of the agriculturists who are duped by the rapacious lenders in any way they like. Co-operative societies and banks, where they exist, the numbers of which is much less than what is necessary, are very often not resorted to by the agriculturists on account of their own ignorance and may be for the want of the co-operative spirit amongst the members.

One of the reasons why the cultivators eschew the co-operative societies and banks is, I think, that they are not supplied with paddy loans during the cultivating seasons of all seasons in the year, during the time, they required paddy loans very badly both for their own family consumption as also for the maintenance and payment of their labourers. In cases, therefore, when they borrow cash money, they purchase paddy therewith and paddy at this time is sold at a very high rate, so much so, that they get only a half of the quantity of paddy they would have got at other normal times by the conversion. Agriculturists hail now with glee paddy loans, if offered even at a great disadvantage to themselves. If the co-operative societies and banks purchase paddy during Magh or Falgoon when the price goes down to the lowest rate and lend it to the cultivators during the cultivating season at an easy and small rate of interest, there is every chance of reclaiming these unsuspecting and illiterate cultivators from the light clutches of these grabbing lenders. In my opinion, therefore, grain banks should be established at various centres within this district. As a remedial measure, I strongly suggest the establishment of co-operative societies in each subdivision of my district, if not in every knot of three or four villages and the beneficial purpose of such associations and banks be very intimately brought home to the cultivators by every means possible. I would also have, if possible, posters in each principal *hat* (mart), once at least during the cultivating season declaring the illegality of the demand of high rate of interest and making the cultivators realise the great risk they run in borrowing from the local professional money-lenders and exhorting them to borrow in cases of necessity from the local or neighbouring co-operative societies. I venture to suggest that the co-operative banks and societies do so modify the rigidity of their rules of course safeguarding the means of realisation as to attract the intending borrowers and also that these societies and banks do cause wide dissemination of helpfulness and co-operation by the members, specially by those who are at the helm. The first thing that these co-operative societies should attempt to do, is to educate these cultivators as to the utility of these societies and banks. They should also create by various means a genuine interest in these things, not only amongst the educated few who live mostly in sadar and subdivisional towns, but also amongst all the cultivators as a class.

Question 2. (i) Raiyats, in my district, purchase paddy from the local sellers on occasions few and far between, for the crop they raise is very often more than enough for their own family consumption, at least for the major part of the year.

Paddy is the principal crop in my district. Paddy is sold locally in the villages to the agents of the big firms situated at the important villages or towns in the district or it is brought to the big *hats*, *golas*, etc., and is sold at the *arats* to the agents of such big firms, the *aratdars* charging one to two pice in the maund; several rice mills having been recently set up in almost all the roadside stations of the Bengal Nagpur Railway, which passes through the district, paddy is generally brought and sold to these mill owners direct.

The *aratdars* also in many cases purchase paddy from the raiyats direct and stock a large quantity of paddy which they sell to Calcutta merchants or to the local rice mills. These *aratdars* used formerly to offer very low prices, but since the establishment of a number of such *arats* in all principal markets, there is a healthy competition amongst them and, on the average, the prices now offered are almost normal. These *aratdars* are known to adopt unfair means in the weighment of the paddy, moreover the seller has to give about one seer of paddy to the *koyal* (weighman) at the time of the sale besides other *abwabs* such as *brittis*, *taharis*, etc.

A raiyat in most cases runs out of his stock before the year's end, nay, even before the cultivating season is well nigh expired. The price of paddy reaches into highest level during Asar generally, i.e., when the cultivating season is in full swing. Before now, however, in a generality of cases no excess paddy over that required for the annual family consumption is stored after payment of the several dues including the landlords and the creditors and in case any is so saved it is sold away for other family expenses. So, the raiyat is, certainly, unable to hold up his crop for better price till Asar.

(ii) In my opinion, any undertaking made in that direction will be of great benefit and practical value to the cultivators and, I do not entertain the least doubt in my mind, that such centres, if started, will be readily and gladly resorted to by the agriculturists. To meet the imperious demands of the exacting professional lenders, raiyats, very often sell paddy for any price, however low; and sometimes these lenders themselves purchase paddy from the raiyats at almost nominal price, in payment of their own dues. If the raiyats refuse to sell paddy to these lenders, the latter, sometimes, sue the raiyats for the loans given, suppressing the payments already made or even manufacturing false account papers. In my opinion, therefore, if any sale society is formed at the principal places in my district, much of the distress of the raiyats will be relieved.

(iii) None to my knowledge. Although I read in the Report on the Administration of Bengal, 1927-28, that a Central Sale Depot at Ulta-danga is started, personally speaking, I do not know if it has any branch in my district. It is, however, highly desirable that very many branches should be formed at different centres within my district. I am told that some grain banks have been in recent years set up in some locality within this district.

(vi) (a) Big merchants who deal in paddy and rice or are owners of rice mills, purchase paddy through their local agents from the raiyats at different seasons of the year, sometimes locally in the village, but more often at the principal *hats*, markets, etc. They, generally, offer a price a little higher than what the local buyers do, and, as a result, the cultivators sell their produce to them in preference to the local buyers.

Banks or bankers or merchants do not ordinarily, give any advance price.

Banks or bankers are not known to purchase any paddy for export trade.

(vi) (b) In principal *hats*, markets, etc., in this district, there are numerous shops, where fancy foreign goods are exposed for sale, and the unthinking raiyats, very often purchase some of these mostly flimsy things of luxury with a large portion of the sale price of the crop, they have raised with the sweat of their brows. But these mill owners or dealers in paddy or rice are not known to directly or indirectly finance the import trade in my district.

Question 3. (i) In Midnapore lands are principally divided into two classes, viz., (1) *kala* and (2) *jal*. *Kala* lands are also called *dhosa* lands (high lands) in the Contai subdivision and in some portions of the Tamluk subdivision.

(1) *Kala or dhosa or high lands*.—On these *kala* or *dhosa* lands vegetable, jute, sugarcane, etc., are grown. The value of these lands is generally less than that of the *jal* or paddy lands.

An acre of *kala* land within the northern portion of the Sadar Division can be had for a price varying from Rs. 15 to 90, for in a very small area of such lands any crop, other than the culinary vegetable, can be grown.

But, in the southern portion of the Sadar Division and also in Contai and in some part within the Tamluk subdivision, *kala* lands (locally called *dhosa* lands) are sold for a greater price, viz., for a price varying from Rs. 150 to Rs. 300. In some of these *dhosa* land mat sticks can be grown. These mat sticks are sold at a high price. Those *kala* lands where sugarcane can be grown sell also at a very high price.

(2) *Jal or paddy lands*.—The northern portion of Midnapore, including a major part of the Jhargram subdivision and some portion of the Sadar subdivision, is mostly sandy and rocky and the yield of paddy in these parts is very small. So, the value of paddy lands here is comparatively very small, viz., from Rs. 30 to Rs. 150.

But, in other parts of this district, the lands are generally very good and fertile and the yield of paddy in most years is very satisfactory. So, within the jurisdiction of thana Sabang in the Sadar Division, and also in Tamluk and Contai subdivisions, the value of paddy lands, per acre, varies from Rs. 300 to Rs. 2,000. Each bigha of land, here, according to the local measurement (viz., 20×20 of a pole varying in measurement at places from 10' 9" to 11' 9") is very nearly double the area of a bigha of land in the northern part and is almost $\frac{2}{3}$ of an English acre.

(ii) Lands, in which paddy can be grown, are sold at a very high price. *Kala* lands, in which mat sticks are produced are almost equally valuable. There is no difference to my knowledge in the price of lands in which different kinds of paddy can be grown. The quantity of the produce is what matters most and not the quality.

In assessing the price of land per bigha, regard is generally had amongst other points to:—

(1) The length of the rod prevailing in the mouza with which each bigha of land is measured.

- (2) The productive power of the soil including the present state of the land, viz., whether it is overgrown with grass, etc., or whether there is a deposit of sand or whether the *ails* are in a state of repair, etc.
- (3) The existence or otherwise of the protective embankments and *bandhs*, etc., to obstruct the ravages of flood.
- (4) The facilities for irrigation in case of drought.
- (5) The costs and the facilities for obtaining local labour.
- (6) The possibilities of obtaining different kinds of crops in the different seasons of the year.
- (7) The rent payable for it and the reputation of the landlord, viz., whether he is oppressive or otherwise.
- (8) The existence or otherwise of the *hats*, markets, etc., for the sale of paddy and, also, the distance of such centres of sale.
- (9) Lastly, the availability or otherwise of lands for purchase or in other words the question of demand and supply.

In cases of auction sales for Government dues, also in sales in execution of civil court decrees, the above considerations are not generally taken into account. The situation of the land in a particular mouza, the amount of rent payable for it and the reputation of the landlord are specially marked. The value in such sales depends very largely upon the number of the bidders present. But, where the land is sold by private sales, the intending purchasers generally consider the above points in offering the price.

Question 4. (i) None to my knowledge.

I know of cases where, in former years, the agriculturists mortgaged one complete whole or a part of holding in usufructuary form, stipulating by the deed that the principal amount of the loan would be paid off from the crop received by the mortgagee in possession, the interest however being paid by the mortgagor from the crop of his other lands. Such a form of mortgage, to my mind, is now forbidden by the present law.

It is also known that pressed by urgent necessity, a raiyat could in former years borrow a pretty large sum of money, in comparison to the smallness of his holdings given in security, the mortgage money being agreed to be extinguished by the profit arising from the lands, during a period extending longer than fifteen years. This cannot, I think, be done now under the new Bengal Tenancy Act.

Besides these there are at present no legal impediments so far as I know to the mortgage of lands and agricultural holdings in my district.

(ii) The new Bengal Tenancy Act, having legalised transfers by the raiyats of their *jotes* or parts thereof, under certain conditions, has no doubt raised the credit of the cultivators who can now dispose of their holdings or portions thereof at their own pleasure and without consulting the landlords. But, it has also its drawbacks. In a majority of cases, the relation between the landlord and the tenant is cordial. The tenants look upon the landlords as their patrons and consider twice before they venture to pick a quarrel with them or to be in their bad book. The landlords, also, spread their protective wings to save the

tenants, especially those who are obedient to them, from difficulties. As a result, before the introduction of the new Act, when the tenants were constrained to dispose of their holdings in whole or in part the landlords, at the intercession of the tenants, did not grudge or refuse to recognise the transferee, on receipt of a very nominal fee, sometimes even without any fees at all. Now that the Law has made the payment of 20 per cent. of the sale price to the landlord as a condition precedent to such transfers, this payment of the landlord's fees is now seriously taken into consideration, in offering the value of the land, for these fees are to be paid by the transferees. So, to my mind, the present law has decreased, in a sense, the value of the tenants' holdings although it may have raised the credit of the agriculturists.

(iii) The first difficulty that presents itself, according to me, in the way of granting long term credit on the security of a small or a fragment of a holding is that in spite of all the well-devised safeguards being made for the return of the principal money, very many cases are, in the nature of the things, bound to occur where the loans cannot be realised by any means other than the purchase of the lands given in security. So, one can very well conceive that, in the course of a few years, the "long term credit institution" must have in its possession a good many number of small and fragmentary holdings. Now, these parcels of lands, situated as they must necessarily be, at different places, much wide apart, the Institution must, certainly, experience great difficulties in managing these fragmentary holdings properly either when such institution will cultivate these lands by its own men or when it will let them out to the tenants for cultivation. It is needless to say, that such institution will, in course of a few years, be converted into a great agricultural institution which will not certainly be its objective in the beginning.

Another difficulty that I apprehend is this.. Unless and until the cultivators are well educated (and the prospect is, alas, so distant) or, at least the importance of co-operative action and self-help is thoroughly well grounded in their minds—a fruit also of ceaseless labours for a number of years—these ignorant peasants are likely to take such transfers, on long term mortgages, for disposals of their ownership over the lands; for these lands then will no longer be available to them for raising money, in cases of necessity. As a result, the peasants will neglect the preparation of these lands, especially when they are very small plots, for cultivations. So, I apprehend, that there may be some possibility of the deterioration of the fertility of the soil.

But the question as to the utility of the introduction of land mortgage banks for the grant of long term loans to agriculturists does not now admit of a division of opinions. These banks have been established with marked success, in several parts of the enlightened world and even in some provinces of this country. I am, therefore, strongly of opinion that these minor difficulties must be encountered and overcome, if the agriculturists are to be saved from their present appalling poverty and also from the morass of helplessness they are now plunged in.

Mention may also be made here that the present Bengal Tenancy Act discountenances "long term credit." Representations may be made to Government to modify the law in this respect, so far at least, as such accredited banks are concerned.

(iv) None to my knowledge.

(iii) (a) The numbering of the *lags* in the record-of-rights is very satisfactory. But its value would have been much enhanced if each *dag* could have been made to comprise of only one plot. On a reference to any record-of-rights, it will be seen that a *dag* sometimes includes more than one plot, may be, because of the smallness of the plots.

Since the final publication of the record-of-rights, many changes have been effected, as to the nature and the right of the tenant's possession, as, also with regard to the ownership of the plots and the rents payable therefor.

The changes, in many cases, have been made by the Settlement Officer, subsequent to the final publication, in the exercise of their powers, in proceedings under sections 105, 106, etc., of the Bengal Tenancy Act.

Rents have been enhanced, status altered, plots have been transferred from one interest to another. These, and very many of such similar changes, too many to mention, have been made. Civil Courts also in some properly constituted cases (viz., under section 42 of the Specific Relief Act and in title suits) have passed decrees declaring the records to be wrong, both as regards the ownership of the lands and the status of the tenants. In suits, under sections 7, 30, 52 and 158 and other sections of the Bengal Tenancy Act, Civil Courts have passed decrees which are not in exact correspondence with the record-of-rights.

Besides these there have been many transfers of ownership both by private and public sales, not to speak of the devolution of interest by inheritance, gift and will.

These changes should always be reported to the Collector who should see that the necessary corrections are very carefully and punctiliously made in the record-of-rights, so that these records can always be regarded as a safe and sure guide. For non-compliance herewith will afford facilities for the inclusion of the wrong and incorrect *dag* numbers, of the misdescriptions of the plots and of the erroneous statements as to the status of the tenants in the mortgages to the banks and will thus throw wide open the gates of fraud, and will furnish loop holes for litigations, involving loss of money, etc., to the bank and its constituents.

(iii) (b) The present procedure for foreclosure and sale is undoubtedly very cumbrous and tardy, involving much loss of time and unnecessary expenses. This is, certainly, capable of much simplifications, sufficient scope, at the same time, being afforded to the defaulter mortgagor to pay off, if earnestly willing, the decretal amount within a reasonable time. The special procedure adopted for the realisation of the arrears of rents, in certain cases, by issue of certificates, under the Public Demands Recovery Act, may very well be applied for the realisation of the mortgage dues of the accredited mortgage banks. After the certificate has been filed and notice served, as provided for in the Act, a short time may be granted, for preferring objections if any, or for the deposit of the certificates due.

Provisions may be made for the speedy disposal of the objections so entered. After the disposal of the objections if any, or the expiry of the time so allowed, whichever is the latest, sale proclamation may be served on the defaulting *jote* by beat of drum, and the notice of the sale should be published in the local newspaper and an extract thereof should be sent by registered postal service to the defaulter whose

acknowledgment should be taken, so that he may not afterwards complain, as he very often does now, of the ignorance of the service of the processes. A fortnight after the service of the processes so made at the locality the defaulting *jote* may be put up to auction sale. The judgment-debtor may, however, be granted six months' time to pay the amount entered in the sale proclamation with all the subsequent expenses plus also simple interest till final payment at the rate of six per cent. per annum.

The judgment-debtor may in a fit case be given liberty to sue in the Civil Court of setting aside the sale.

(vii) (c) At the time of the mortgage, the *dag* numbers of the *jote* to be given in security, should alone be mentioned, the same being supplied by the mortgagor. These *days*, and not boundaries, should be quoted in the certificate and in the sale proclamation. Upon the confirmation of the sale, a copy each of the sale certificate should be sent to the Registrar and the Collector for information and for completion of the records. The Collector should particularly see that these changes in the ownership are carefully noted in the record-of-rights.

The registration fees must, of course, be reduced in such cases. When the mortgage bond is first presented for registration, the Registrar may not have it copied *in extenso* in Book No. 1 but a memo. of the particulars only may be kept; for the terms of all such bonds will necessarily be very much alike. Attempts may also be made to reduce the surplusages and verbosity in the present form of mortgage bond a thing perhaps necessitated by the minute technicalities of law.

Question 5. (i) No.

(ii) Account papers of big money-lenders are generally submitted to the Income-tax Officers. The information required can therefore be best obtained from such officers. But it is within ordinary experience that money-lenders (specially not big) in many cases suppress the submission of any account papers or submit incorrect ones to the officers mentioned above, in order to evade the payment of the tax.

The other source, therefore, from which an estimate of the indebtedness of the agriculturists, in a village, can be obtained with some degree approaching accuracy is the President Panchayet of a village.

These Panchayets may be requested to supply the information required.

(vi) To my mind, the indebtedness of the agriculturists is fast increasing generally in all villages within my district, due almost to the frequent failure of crops caused by inundations in successive years, and also by droughts in some quarters.

The increase in the cost of living and the adoption of the very many costly facilities for the conveniences and comforts of life and, may be, some indulgence in luxury the necessary evil of civilization bring about to some extent the indebtedness of the cultivators.

(vii) Very small loans, amounting to a few hundreds only have been granted under the Land Improvements Loans Act of 1883. After the havoc played by the flood in 1926, the distress of my fellow cultivators knew no bounds and since then the Government have very commendably granted loan by several thousands to the suffering humanity under the Agriculturists' Loans Act of 1884.

(ix) Kabulis have recently intruded even into the most interior parts of this district and have introduced their nefarious practice of lending money to the necessitous villagers at an alarming high rate of interest.

They lend money sometimes without any document; some of them have got printed handnote forms in English, sewed up into a book, and, when a villager borrows money they take his thumb impression on the blank form and get it filled in by the Kabuli's own moharrir; sometimes afterwards and behind the back of the borrower. In some cases, they cause an entry of a bigger sum to be made than what is actually borrowed. Their rate of interest usually is two annas per rupee per month or Rs. 150 per cent. per annum. At the time of harvesting, or in the month of Falgun or Chaitra, a party of these Kabulis, consisting of 3 or 4 men, armed with big *lathis* and accompanied by their Bengali moharrir, go to the debtor's house and realise their dues by show of force and, it is heard, by threat to insult the debtor and even his female folks.

These Kabulis seldom come to court. Where, however, the debtor manages to elude them, they use him in court; and the court seeing the thumb impression, generally decrees the suit. In the case, where a debtor files a written statement, denying the taking of the whole amount of loan entered in the handnote, the onus of proving that the amount actually borrowed is less than what is shown in the handnote, being on the debtor, he generally fails to prove it or to satisfy the court as to the truth of his allegations and, as a result, the suit is decreed against him, though the amount of interest is much reduced and generally made at the rate of 37½ per cent. per annum.

(c) To quote an instance out of many hundreds, I beg to state that a case has recently been disposed of in the court of the Third Subordinate Judge, Midnapore, and this case offers an ordinary pattern of the claim of high rate of interest. One, Upendranath Pahary has sued against Godadhar Pahary and others, upon a mortgage, by conditional sale (*kot kobla*) the number of the suit being Mortgage suit No. 154 of 1928. The principal amount in this case was only the paltry sum of Rs. 15 and the claim put forward before the court was Rs. 9,450-2-10. The date of loan was the 15th Baisak, 1326 (Bengali year), and the rate of interest was one anna per rupee per month with compound interest at quarterly rests.

(vi) The Usurious Loans Act is not generally availed of in the villages of my district. For as a matter of fact in a small proportion of cases, the parties come to court at all in nine cases out of ten; the creditor realises his dues including his high interest amicably, and in the locality.

The borrower does not dare incur the displeasure of his creditor first, because the former knows full well that he has very often to seek the latter's help by way of the grant of loan in cases of necessity, which unfortunately occurs so frequently; and, secondly, because of the fact, that if any suit is instituted upon the loan, the debtor has to bear the litigation expenses including court-fees, pleader's fees, etc., which are not in any way small, and which exceeds in many cases the creditor's illegal demand of high rate of interest. Thus a prudent debtor tries his level best to pull well with his creditor and every often pays heavy rate of interest, although he knows that the creditor cannot get the interest demanded, if there is a litigation over the transaction. Add to this, the generality of the agriculturists is deplorably ignorant

and illiterate and is within the grip of the cunning and shrewd money-lenders. So, in my humble opinion, the Usurious Loans Act has not mended matters in any perceptible degree and the unfortunate agriculturists are as helpless as ever.

The remedy lies to my mind principally in educating this class of men. Any one who has any experience of this cultivating class, must have been painfully struck at the awful ignorance of our peasants. There are several villages in which there is not one single man who can scrawl out his name, even with difficulty. It is sometimes complained and with much truth, that co-operative societies cannot be started in several villages for want of a literate man to act as the secretary thereof.

Conservativeness born of ignorance is the principal characteristic of our peasants. Instances are known where the proposals for the introduction of the beneficial innovations are rejected by them with provocative indifference and even with suspicion. The practical difficulty which one experiences in his dealings with these men is their stupendous ignorance and the hard crust of conservatism. I am more firmly convinced, with my growing experience, that the broad-casting of education, at an extensive scale, is the only 'open sesame' to amelioration of the condition of this class of men who drag on their miserable lives through abject penury and sheer want. But I am very painfully aware of the fact that educating this enormous class of men is too large a draft upon our present resources to be adequately met, and is almost an impossibility. I, therefore, beg humbly to suggest, as I have already said in answer to the other questions, that the salutary provisions of the Act be very largely made known to the cultivators by all means possible. One of the means, humbly suggested, is the publication of the pith of the Act in the easy vernacular language in the principal *hats*. One or two itinerant lectures, preferably honorary, should be employed to lecture round the villages informing the cultivator of the essential provisions of the law. Our educated men mostly are deplorably apathetic towards the edification of the cultivators. To my mind much good will accrue if the interest of such educated men can be evoked in such matters.

(*rii*) None whatsoever. But in cases of unsecured loans, courts here generally allow interest at the rate of six pies per rupee per month.

(*riii*) To all intents and purposes, the Usurious Loans Act is almost a dead law in the mufassal and, so the fraudulent course mentioned in the question to evade the provisions of the law, is not usually resorted to professional money-lenders also, sometimes, take bonds for larger amount than what is actually lent.

(*rin*) I beg to suggest that a very large number of grain banks may be established at different centres throughout the entire length and breadth of this district, and that these banks do purchase paddy and seeds when they are sold at the lowest price, and that these banks do grant loans of paddy and seeds to the agriculturists at a low rate of interest.

Arrangements may also be made for the deputation of a man of the bank with orders to realise the dues of the bank at the time when the new crop is threshed and gathered and is about to be stored.

(*rv*) Three *kuris* to eight *kuris* in the *Arah* or 18½ to 50 per cent. for a period of four or five months.

(vi) Paddy loans are, generally, granted during the period between Asar and Aswin. The interest charged varies from 3 *kuris* to 8 *kuris*. The principal and the interest is payable in Magh or Falgoon when the paddy is threshed and gathered. The creditors or their men go to the debtors' houses, when they get the information that the debtors will thresh the paddy and they make the debtors pay their dues in full. If the debtor, for any reason, is unable to pay back the debt in full, the creditor charges compound interest at the original rate upon the unpaid balance.

In some cases the creditor, at the time of realisation, uses a little bigger measure of paddy than that with which the loan is given. The *koyal* (the man who measures the paddy) gets some remuneration (generally one to two seers of paddy in the maund) for his labour both at the time of the grant of the loan as also of the realisation.

(vii) I know of some villages where the best culturable lands have all been acquired by the money-lenders to whom the raiyats were constrained to transfer them, much against the latter's will, but only for the liquidation of the debts and the interests which swelled in course of time to enormous proportion. I am, certainly, of opinion, that many raiyats are being converted to their tenants at will of the money-lenders, simply on account of the raiyat's inability to pay back the debts borrowed in times of distress.

(viii) Not necessarily. For such persons, generally, hold the lands as *bnag chasts*, under the creditor purchasers, and agree to deliver half of the crop grown to the owners. In some places however the owner takes nine-sixteenths of the paddy grown and gives seven-sixteenth share to the cultivator for his labour. The *bhag chasis* in such cases know full well that their profits depend entirely upon the outturn and the more they can grow the more will be their gain. So, they do not generally neglect to cultivate the lands properly.

Question 6B. (i) Those villagers of my district who are not agriculturists obtain loans from the professional mahajans and the co-operative credit societies. Those who live in towns borrow money from the professional mahajans and the urban co-operative credit society. The Kabulis also lend money to the day-labourers, fishermen, etc. The service-holders borrow money from those abovementioned sources as also from the provident fund society, where there is any; those, amongst them, who have insured their lives, borrow money from the insurance company also. There is a loan company at the Tamluk town, floated by some local pleaders, they lend money to the local men and sometimes to the agriculturists also upon taking sufficient security for the repayment of the money.

(ii) When the day-labourers and the service-holders fall ill and cannot follow their ordinary vocation, they are obliged to borrow money to maintain their family and also for the medical treatment of themselves and of their family members. They very often borrow money to defray the expenses of the marriage ceremonies the *sradh* and various other ceremonies. In some such cases unfortunately they imprudently spend far more than their means would allow, very often at the importunity of the local *murubbis* and panchayets. They are also known to contract debts for the purchase of or the repairs to their residential huts or houses. As regards the small traders, over and above for the purpose abovementioned they also borrow money to carry on their trade.

The rate of interest charged by the *Kabulis* and also by the *Marwaris* at Khargpur on handnotes is two annas per rupee per month, and when these men lend money, without any document, they sometimes charge more. In consequence of the establishment of the Railway Workshops at Khargpur, which is a very important Railway junction, the number of the Anglo-Indians and the mill hands, mostly up-countrymen, employed by the Bengal-Nagpur Railway is almost legion. These *Marwaris* and *Banias* have regularly set up here a trade in lending money to the work-hands and they charge astoundingly high rate of interest.

Fishermen and other small vendors of bazar articles borrow money at the rate of interest locally called the *chota sudh*. In *chota sudh* transactions, the debtor pays at the rate of one pice per day per rupee in evening for every rupee borrowed and the principal and the interest are paid off in this way at the expiration of two months and twelve days—thus the interest is nearly one anna and six pies per rupee per month. Where money is borrowed on the pledge of ornaments, the interest charged generally is one pice per rupee per month. But sometimes where silver ornaments are pawned the interest claimed is little higher and is Rs. 2 per cent. per month.

For secured debts, the interest charged varies from twelve annas to two rupees per cent. per month. The substantiality of the security and the creditability of the contracting party governs the amount of interest claimed.

(iii) As far as I know, the Government has hitherto rendered no direct help to the innumerable class of men mentioned in the question. Nor have the joint stock banks, nor the indigenous banks, done anything in the matter. The co-operative banks have, however, materially assisted them in their difficulties by lending them money at a small interest and offering them the opportunity of paying the debt off by easy instalments.

Coming next to the question of affording them better facilities for tiding over the financial difficulties I fear I may be guilty of digression if I mention that the middle class gentlemen (*bhadraloks*) are the most sufferers in these days of open educational competition. Our young men at a great sacrifice of their personal health and also of the fortune of their parents, find themselves quite at sea, when they graduate themselves from the university. All avenues of income are crowded to suffocation and the tradition of the family and of the bygone days deter them from adopting any mean and humble occupation. In desperation they enter the Law College and after passing successfully through the hard ordeal they join the bar, there to vegetate all the life through. An occasional visit to any bar library will convince any one that, with the exception of a few favourites of fortune most of our young men endowed by nature with intelligence of no mean order, pass, though not unwilling to work, the best years of their lives in forced inaction and idle conversation. The medical profession also offers these educated youths no better prospect. As for the Engineering Department, apart from the possession of an exceptionally robust constitution which a few young men have the number of the seats in the college is very limited and only a few are fortunate enough to secure an admission. As regards clerkship, the less said the better. The struggle and the jostle to secure post of a clerk carrying a very moderate income is dead and sickening. For the post of a clerk on Rs. 30 a month it can

be said without a word of exaggeration, that a thousand applications may be received, many of such applicants possessing educational qualification of the highest standard. So our young men on the completion of their education are driven from post to pillar and pillar to post in their efforts to obtain an honourable living. Indeed, the problem of unemployment of the bhadrakalok youth stares us hard in the face and is too knotty to be solved. The note of alarm has been at times raised both from the press and the platform but, so far the question has eluded satisfactory solution.

As one of the means to relieve a portion of the middle class gentlemen, from their financial difficulties, brought on by the unemployment of themselves and their sons, I beg humbly to suggest that, if it were possible, and if funds could be found, agricultural lands may be acquired and some bighas of such lands may be given individually, or to the small bands of such men, previously well trained in the most up-to-date method of scientific agriculture. They may also be provided with reasonable loans for the purchase of approved scientific implements and for a small capital to start a farm with. The purchase money of the lands so given to them and the loans so advanced with small interest may be repaid by them in easy instalments. They should be well taught in self-help and in joint and co-operative action and should be strictly enjoined to adopt the method of cultivation tried and approved by the expert with Government Agricultural Department. This procedure will produce another beneficial result, though indirectly, upon the agricultural community as a whole. Every one, who had occasion to deal with our brother cultivators and who proposed the introduction of a new and scientific method of agriculture to them, must have received an answer from them of this pattern: "Our forefathers up to the fourteenth generation cultivated in this fashion and we must, on no account, change it." These men, therefore, require visible demonstration of the efficacy of cultivation in the scientific method. And this physical demonstration will be afforded by the cultivation in the way suggested. And, as a result, I feel absolutely no doubt that there will soon be happy regeneration in the cultivation of our lands which are so pre-eminently fitted by Nature for agriculture, and, we shall thus be able to grow two blades of corn where there was formerly one—a thing which other countries in the world have accomplished with marked success and thus shall we drive the wolf from our doors.

Along with this, or separately, funds may also be lent to those men for small home industries, every means being previously adopted for the safe return of the amount of loan with a small interest thereon by long instalments.

(iv) The indebtedness of these men are certainly increasing.

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Translation of the replies to the Questionnaire given in Bengali by Mr. Sarat Kumar Roy, M.L.C., of Dighapatia (district Rajshahi).

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) Where there are no other kinds of banks, the agriculturists obtain finance from the local money-lenders.

(ii) There is no fixed rate of interest but small loans generally bear interest varying from Re. 1 to Rs. 4-11 per cent. per month. There is

no fixed period of repayment, although a stipulation for repayment within a period not exceeding one year ordinarily appears in all simple bonds. Legal action is taken if the loan is not repaid within the stipulated period. Loans are usually advanced on the security of tenures or occupancy or rent-free holdings, as also on the pledge of ornaments. Sometimes the security of standing crops is also taken, 65 per cent. of the loans advanced by the local money-lenders are unsecured, whereas in some private banks the percentage of such loans would be about 15 per cent.

Question 2. (i) The agriculturist sells his agricultural produce in the nearest *hat* or mart and sometimes to purchasers at his house. It is not possible for him to hold up his crops for a better price as he is never in affluence.

(ii) It has great possibilities in the future.

(iii) No such society is in operation in our locality.

(iv) In trade centres, where the number of dealers is large and demand of agricultural produce is considerable, the agriculturist sometimes gets more than the market price for his crop, but at places where a big company or a mahajan has monopolised trade, the grower hardly gets the full value for his produce.

(v) This is due to both the causes.

(vi) Money is at present remitted by means of postal insurance, *hundis* or peons.

(vii) Remittance by bearers is open to considerable risk.

(viii) There is very little use of such documents in our locality.

(ix) Two kinds of *hundis* are in vogue, viz., *darshani* and *muddati*. *Darshani hundi* is payable on the day following that of presentation and *muddati* is to be paid within a fixed period.

Question 3. (i) The price varies from Rs. 75 to Rs. 300 per acre according to the quality of land.

(ii) (a) Such cases are rare as there is very little khas mahal land in this area.

(b) About Rs. 50 to Rs. 200 per acre.

Question 4. (i) Not now.

(ii) The credit of the agriculturists has no doubt increased but this might lead to free and frequent transfer of agricultural holdings.

(iii) No such special organisation.

Question 5. (i) Yes, these are the principal purposes for which debts are incurred. With the decay of cottage industries, the agriculturist has no subsidiary occupation and has to depend absolutely on agricultural income. On the other hand, being improvident by habit and having no education, he is prone to be extravagant whenever he is in funds. Thus, every day finds him more and more involved in debts.

(ii) Loans are taken from the different local credit institutions as well as private money-lenders wherever money can be had easily.

(iii) See reply to (iv) above.

(iv) Yes, with the approach of winter, *Kabulis* appear in these parts with warm wrappers, etc., which they invariably sell on credit to the

rural people at a price considerably higher than the market value. They take down the name, address, etc., of each purchaser as also the description and price of cloth, in their own books, and disappear for the time being. A few months later, they come back and begin their collection campaign with singular high-handedness characteristic of these people. Hawkers also bring aluminium wares, glass bangles, and other trinkets which they either sell for cash at an abnormally high price to the rural womenfolk or barter them for paddy. None of these itinerant dealers are found to do any money-lending business.

(xii) The courts usually ignore the stipulations in the bond and award rates of interest according to their discretion.

(xiii) No such practice is in vogue in these parts.

(xiv) By the establishment of seed farms at selected centres.

(xv) The rate of interest on paddy loans for seed purposes is 100 per cent. and that for maintenance is 50 per cent. both repayable in six months.

(xvi) Yes, particularly in view of the amended Bengal Tenancy Act, which has made occupancy holdings transferable now.

(xvii) That is so, as the agriculturist will get depressed day by day and cease to take any interest in the improvement of production.

Question 6. These industries are generally in the hands of the *bhadraloq* class who may or may not be farmers themselves. They obtain finance for their industries from the local banks at a very high rate of interest. This swallows up the small margin of profit derived from their business and in most cases leads to failure. Such industries may thrive if money can be advanced at a very low rate of interest.

The agriculturist may take to silk rearing; cotton and jute spinning and weaving, blanket-making, mat-making, etc., as subsidiary vocation provided he gets the initial assistance in cash and raw materials at a reasonable rate of interest. There must be some local organisation for the marketing of the finished articles at trade centres. It is also desirable to have a community of interest between the agriculturist and the *bhadraloqs* in each locality so that these cottage industries may catch on and prosper. To secure these conditions cheap finance will have to be provided for.

Question 6B. (i) They borrow on their personal credit on pronotes, bonds or mortgage of property.

(ii) Loans are generally taken for purposes of maintenance, trade, social and religious ceremonies, etc. The rate of interest varies according to the status of the borrower from 2 to 3 pice per rupee per month. There is no sharp difference between the rates of interest on secured and unsecured loans.

(iv) Owing to the want of any subsidiary occupation their indebtedness is on the increase.

Question 7B. (i) The establishment of co-operative societies has had the effect of bringing down the local rate of interest but at the same time, cheap and easy credit has encouraged unnecessary borrowing.

Part II.—Indigenous Banking.

Question 2. In former times, the indigenous bankers used to supply raw materials for cottage industries, and take over the finished products, over and above money-lending. The value of business done in agricultural and industrial produce was considerable and cash loans were of secondary importance. Both the parties were better off but with the decline of cottage industries and the consequent depletion of the resources of the agriculturists, money-lending has become the principal feature of the mahajan's business.

Question 7. (i) to (v) There is a strong prejudice against the mahajans on account of the high rate of interest charged by them. But considering the risk run by them in dealing with the somewhat insolvent agriculturist as also the timely service rendered by them on emergencies, the rate of interest charged by them cannot be regarded as unfair or usurious. The increase in the rate of interest is due to the present state of helplessness to which the agriculturist has been driven by the loss of all subsidiary occupations.

(ii) No. The courts totally disregard the terms of contract between the parties while fixing the rate of interest in their decrees in money suits but it may be noted here that the Imperial Bank and other joint-stock banks seldom fail to obtain a full decree in their favour from these very courts which allow even compound interest where such stipulation exists in the bonds.

Question 10. This has been due to both the causes.

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Mr. Kaliprasanna Saha, Pleader, Malda.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) For expenses during cultivation most of the agriculturists approach the money-lender of the village and the adhidar goes to his landlord. Adhidar is one who cultivates the land for the proprietor and gets half share of the crops raised by him. They also get money in some places from the co-operative rural societies. But most of the loans are financed by the village money-lender for any of the purposes mentioned already.

(ii) Rates of interest vary from 1 pice to 4 pice per rupee per month. Loans are taken at the time when crops are to be grown and repaid usually at the time when the crops are gathered in. Excepting standing crops no actual security is given. The cultivator sometimes has to pay a proportionate amount of paddy as interest for each rupee lent. Sometimes both, principal and interest, are paid in kind (paddy) in abnormal rates.

Seventy-five per cent. of the agricultural loans are unsecured and only twenty-five per cent. of the loans are secured.

(iii) Government grants a small portion of agricultural expenses during years of excessive distress. A small portion of agricultural capital is also supplied by co-operative societies here. The major portion is financed by the indigenous banker and village money-lender.

(iv) There is practically no co-ordination among the various credit agencies. There should be co-ordination between them with regard to easy agricultural finances.

(v) There is no system at all as regards the financing of agriculture. The attempts made by Co-operative Department are too inadequate.

Question 2. (i) As soon as the crops are gathered in, the merchants and businessmen come to the villages and buy them direct from the growers. They take them to the hats and ganjas either by cart or boat.

The raiyats are unable to hold up their crop for a better price as they are in urgent need of money to pay up their debts and also because they have no surplus money to depend upon.

(ii) Co-operative sale societies can very well oust the middlemen and market the produce directly but they will be useless if there be no central society in touch with Calcutta market.

(iii) There are no co-operative sale societies in Malda.

(viii) and (ix) Cheques, postal money-orders and hundis are the instruments available for internal remittances. Remittances through Government treasuries is a privilege exclusively enjoyed by the co-operative banks. This system of remittances should be thrown open to the public. Postal money-orders should be more speedily executed.

Question 3. (i) Rupees 90—Rs. 300 per acre for paddy; Rs. 250—Rs. 2,500 per acre for mulberry; Rs. 90—Rs. 300 per acre for jute; Rs. 125—Rs. 350 per acre for pulses.

Question 5. (iv) Debts are contracted mainly for social and agricultural purposes, such as paying rents, buying cattle, seed manure and agricultural implements

(v) This debt is largely due to the village money-lender and the indigenous banker and to a small extent to the co-operative societies and Government.

(vi) Indebtedness is gradually on the increase among the raiyats.

(xiv) Seed supplying societies can adequately solve the problem. They can also stock surplus paddy in a co-operative warehouse for years of scarcity.

(xv) Prevalent rate of interest of paddy loan varies from 10 seers to 40 seers in a maund of paddy.

Question 7. (vi) Financial concessions, by way of extension of special exemption from income-tax to genuine co-operative societies, reduction of fees on money remitted through post offices and the like, should be granted to stimulate the growth of co-operative movement.

Question 7A. (i) Central co-operative banks should not take up such business now. There is much work to be done through the rural societies.

(ii) Section 32 of the Act may be a bit relaxed in order to give greater facilities for investment.

(iii) For the present such policy cannot be advocated. Let the co-operative banks have a firm root in the country now.

(iv) Excepting receiving deposits they do not help each other here.

(v) The Malda Central Co-operative Bank is providing such facilities to the public here, at Malda. Much remittance work is done by this bank now. They do it by drawing cheques on the Imperial Bank and the Provincial Co-operative Bank.

Question 7B. (i) Due to the spread of co-operative movement here, the rate of interest charged by the village money-lenders on secured loans, has gone down in many villages where there are such societies. The interests charged on unsecured loans have not gone down. This is due to the fact that people who have no security to offer, against their loans are not accommodated by the co-operative societies here, and they are ultimately thrown back on the mercy of the village money-lender.

(ii) There has been no replacing of professional money-lenders by co-operative societies.

(iii) The obstacles in the way of co-operation are lack of education, shortage of inspecting staff, adoption of mechanical methods, partiality in the managers and directors and occasional dishonesty. In general the complaints made about the rate of progress are not justified because progress in the beginning must be always slow.

Part 1A.—Loan Offices and Joint Stock Banks in the Mufassal.

Question 1. (a) Malda Banking Co., Ltd., is the only flourishing joint stock bank here. There is another named Lakshmi Bhandar Bank Ltd., which is in a moribund condition and also another named Choudhury's Bank, Ltd., which has been started very recently.

(b) There is one joint stock bank named Sankar Bati Bell-metal Bank at Nawabganj Chouki of this district.

Question-2. Details of Malda Banking Co., Ltd., are given below :—

			Rs.
Paid-up capital	...	...	50,000
Reserve fund	...	...	29,000
Short term deposit	...	...	52,439
2 years' deposit	...	...	43,628
10 years' deposit	...	..	3,000

Question 3. (i) Current deposit $4\frac{3}{4}$ per cent. per annum; 2 years' deposit 9 per cent. per annum; 1 year's deposit $7\frac{1}{2}$ per cent. per annum; 6 months' deposit 6 per cent. per annum; 3 months' deposit $4\frac{1}{2}$ per cent. per annum.

(ii) Ten years is the longest period of deposits.

Question 4. (a) Postal cash certificates Rs. 2,250; 5 per cent. Government securities Rs. 3,000. Fixed deposit for one year—Rangpur Loan Office Rs. 24,250; Jamalpur Loan Office Rs. 2,000; Malda Co-operative Urban Bank Rs. 10,500; Ulipur Bank, Ltd., Rs. 1,500; Raiganj Bank, Ltd., Rs. 3,500.

(b) Loans against immovable properties—Rs. 2,57,780.

(c) Advance to industrial concerns—nil.

(d) Loans on personal securities—Rs. 1,76,298.

(e) Jewellery—Rs. 1,485.

(f) Nil.

Question 5. (i) All the loans are short term—period for repayment ranges from one month to one year. No case of long term loans to finance industries. Debtors are irregular and drag down their debts for a long time. Rate of interest ranges from 12 per cent. to 24 per cent. per annum.

(ii) Compound interest is charged with six monthly or yearly rests on those rates of interest.

(iii) No interest is deducted at the time of granting of the loans.

(iv) Loans are given for a fixed period. Overdue loans are realised by civil suits, if not realised amicably.

Question 6. (i) Only those agriculturists who have good assets get accommodation in these institutions. Persons having no credit do not get any help.

(ii) They cannot serve the interest of the agriculturists better than other agencies.

Question 7. (i) Any business other than banking is not taken up.

(ii) No such work has yet been taken up by any of the joint stock banks here at Malda.

Question 8. (i) Last year, i.e., in 1928, 15 per cent. dividend was given. In the preceding three years, i.e., 1927, 1926, 1925, 10 per cent. dividend was given. In 1924, the dividend paid, was 20 per cent.

Question 9. (i) There is no double entry system of keeping accounts in these banks. A cash book having printed columns containing different kinds of heads showing various classes of receipts and expenditure is issued. Ledgers of different kinds are kept and abstracts of cash books are also maintained.

(ii) There should be a uniform system of accounting and balance sheets. The Government of India should make it compulsory on the part of Indian joint stock banks to publish monthly statements of business.

Question 10. Such banks should be federated into a central banking institution.

Question 11. If various banks of this type are started in different localities of this district (at least one per each police-station if not more), then trade and agriculture may be better financed.

Question 12. There has not been a single case of bank failure in this district up till now.

Part II.—Indigenous Banking.

Questions 1 and 2. Their main business in this district is to lend money. They supply capital in small doses and protect the raiyats from the rapacious hands of the landlords. They issue hundis and re-discount hundis in a small scale. The case of financing industrial trade and traders is also done by them here. Some of them receive deposits also.

They assist the real agriculturists. The co-operative societies lend money only on securities here. The poor agriculturists are, therefore, not helped by them. Most of the unsecured loans are financed by them. They are still now doing substantial work here. The major part of capital for agriculture is supplied by them. The Marwaris here finance the local silk industries wholly. Co-operative Department is doing practically nothing to finance the silk industry of this district.

Question 3. (c) Their expenses, when compared with that of a joint stock bank, seem to be very small. They can manage their business at a very small cost and, moreover, their standard of living is very poor and falls below the average standard.

(d) Their relations between themselves are not antagonistic. They generally accommodate each other. They are not very well disposed towards the local joint stock banks and co-operative banks and they do not generally keep their deposits with them in large amounts.

Question 5. (i) Indigenous bankers allow cash credits on prospective mortgages. It is called here mortgage "karbarnama." The money is taken on hand notes which serve the purpose of pass books.

(ii) In case of stringency of money they take their loans from other rich persons. This is the practice here.

(iii) Six per cent. per annum is the general rate of interest on deposits.

Question 7. (i) There is prejudice against the indigenous bankers among the educated people only and not among the masses, who actually get help from them.

(ii) They are not protected by any special law and even the Bankers' Books Evidence Act does not apply to them.

(iii) The Bankers' Books Evidence Act can be applied to their case.

(iv) and (v) Some of the Indian bankers' motive is not a laudable one. They trade on the misfortune of their clients pampering them with fresh loan till they are over head and ears in debt. Most of the debtors have to bid farewell to the mortgaged property.

Question 8. (i) and (ii) If the indigenous banker does the higher duty of a bank by mobilising the money power of the country and provide the needed credit for the industries and call for public deposits then they would be rendering immense service to the country. He fails to perform the elementary duties of a modern banker.

(iii) No special facilities are needed. It will have a natural adjustment. We should lay greater stress on joint stock banking system. They should be eliminated gradually by the wider extension of modern banking.

(iv) They will naturally resent it.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (ii) Looking at the amount of capital per head of population in other countries like the United States of America, Germany, France, United Kingdom, we can very well say that much more capital is required for this country. The present amount of capital working in this country is very scanty.

(iii) Government savings banks, joint stock banks, and co-operative banks are the only institutions which encourage investment habits in this district. The Co-operative Central Bank here by opening "Home Safe Box" system and provident deposit system, is encouraging savings habit among the middle class educated men. Government cash certificates are also popular among the middle-class well-to-do men.

(iv) The general public are not provided with easy and encouraging ways for the investment of their savings.

(v) Illiteracy is a great bar to such improvement. The Postal savings banks should allow the public to withdraw money as many times they like in a week. There should be branches of Government savings banks in each village of every district. The interest allowed on such savings might be increased a little.

(vi) Most uneducated rich men, zamindars, traders and money-lenders do not invest their money in any of the ways mentioned above in the proportion they ought to do. There are many who keep their savings and profits in the shape of gold, mohurs, silver and rupees, in their chest for generations to come. Many illiterate persons in the villages, even in the towns, keep their earnings in silver rupees in earthen handis buried underground.

Question 2. (i) Postal cash certificates are popular only among middle class educated men. Rich men also invest in this way, but only in a small proportion. The interest allowed on cash certificates is very low, and it should be considerably increased with a view to make them popular.

(ii) The present interest rates on cash certificates require a considerable revision.

(iii) It affords saving facilities only to the literate section of the people in towns and in villages where there are savings banks. Their number, in proportion to the population of the country, is very small. The savings banks should allow its depositors to withdraw money once every day of the week and thus the existing system should be amended.

(iv) Only middle class educated people resort to this sort of investment in our district. Ordinary day labourers and agriculturists do not resort to it.

(v) Government should open branches of savings banks in each village of a district and also Government should carry on an extensive propaganda in the villages, about its absolute safety and economy. The rate of interest at the same time ought to be increased a little.

(vi) The present rate of interest allowed on such investment appears to me not in any way competing with other independent institutions. These rates are lower than those allowed by other institutions.

Question 3. (i) There is no facility excepting that offered by the postal authorities.

(ii) Ordinary illiterate people keep their money in handis buried under the earth. There are others who spend their money in buying things of luxury. Most people of our district go to Dacca to sell mangoes and while returning home they bring with them things of luxury such as saris and rings, etc., for themselves and their affectionate ones. Most people of this district spend their profits of the business

in drinking wine and toddy. Others, the few, who are sober, invest their surplus in many ways.

(iv) This is very scarcely done. Agriculturists in prosperous years invest their surplus money by purchasing lands; in some cases spend their surplus in litigation.

Question 4. (i) Very few people use cheques now. This habit is gradually growing among the mercantile and educated community.

(ii) The abolition of stamp duty on cheques (as was recommended by the Royal Currency Commission in 1926) has increased its currency. It has led to economy of currency and has proved to be an appreciable step for want in the development of banking and has led to a wide-spread change in the economic habits of a considerable section of the people.

(iii) Mercantile people and a considerable section of the educated people only use cheques. Government servants and bank employees can be paid by cheques. Criminal and civil court pay orders can be paid by cheques from local treasuries. Steps should be taken to introduce cheque system in the mufassal districts through the co-operative central banks and joint stock banks.

(iv) It is not practicable to use vernacular script.

Question 5. (i) Although we cannot say that banking and investment habit in India is of very slow growth, still it will not be an exaggeration to say that it is not growing in the proportion it ought to grow, at this stage, in India.

(ii) The causes are many. Illiteracy is one of the most important causes. The bank failures of 1913 has taken away people's faith in the banks and consequently most people have resorted to hoarding and to investing savings in ornaments. Want of successful industrialisation is also another very important factor in this respect.

(iii) Capital resources as well as banking habits and investment habits will certainly increase if industrial developments increase more and more. Capital must be led to have its way to profitable channels of investment and these must be helped to grow and flourish. So the Government must exert its utmost to help the industries of the country and also to guide the people to safe courses in their investment.

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Khan Sahib Maulvi Abdul Khaleque, Pleader, Feni.

Part I.—Agricultural Credit and Credit Facilities for Small Industries.

Question 1. (i) The agriculturist obtains finances mainly from the following sources for purposes noted in the question:—

(1) Co-operative bank.

(2) Money-lenders (mahajans).

(3) Joint stock banks. The joint stock banks very rarely loan out money to actual agriculturists.

(ii) The rate of interests charged is as noted below:—

(a) Co-operative bank—At 15 10/16 per cent. per annum for five years' graduated kists.

(b) Money-lenders—The rate varies from 24 per cent. to 75 per cent. per annum, occasionally with compound rate of interest.

N.B.—No fixed period.

(c) Joint stock bank—As much as can be squeezed out, but very rarely below 12 per cent. per annum in case of big loans with proper security.

Standing crops are not generally accepted as security.

I am of opinion that half the total outstanding loans from the agriculturists are secured loans.

(iii) (a) Government—When crops fail owing to flood, etc., the Government grants agricultural loans.

(b) Imperial Bank of India—Nil.

(c) Joint stock banks—Practically nil.

(d) Co-operative banks—In the places where co-operative societies are established the needy agriculturists may easily get loans.

(e) Professional money-lenders—They do not practically help the agricultural finances, but they help themselves to become rich at the cost of agriculturists.

(iv) I was in charge of the Feni Central Co-operative Bank for about 10 years. During this time I made certain enquiries as to the indebtedness of the people. My impression is that there are certain debts under the burden of which each family is groaning from generation to generation, as pointed out by me at page 1 of the book on Principles and Procedures of Various Savings Deposits (a copy is annexed herewith for ready reference). On an average this debt amounts to about Rs. 250 per family. There are about 7,200 families in this subdivision and so the total capital required to liquidate the debt of the agriculturists of this subdivision comes to about Rs. $(7,200 \times 250)$ 18,00,000. About Rs. 2,00,000 will be required to meet other requirement. For all these purposes about twenty lakhs of rupees will be required for this subdivision. This is a utopian idea. Gradual economic advancement may be worked out with a working capital of about Rs. 20 lakhs to be loaned out for purposes noted in the question at a reasonably moderate rate of interests by the establishment of a land mortgage bank. But even in this case an army of selfless, silent workers are needed for carrying out benevolent purposes.

(v) Agriculturists are generally financed by co-operative bank. My answer is, therefore, directed to co-operative financing. Under the present system there is no adequate check, if the loan is not utilized for the purposes for which it is granted. Money obtained at the cheap rate of interest is easily spent away on marriage and other unproductive ceremonies and purposes. The agriculturists do not generally understand the principles of thrift and resultant advantages. This difficulty may easily be tided over if the officers of the Central Bank and the departmental officers are really interested in the public welfare and keen co-operation exists between official and non-official workers and communal bias finds no play in such organisations. The spread of

mass education will go a great way towards the solution of this economic problem.

(vi) There is no co-ordination among the various credit agencies. Only the Imperial Bank extends its helping hand to some banking institutions.

Question 2. (i) At present the raiyats sell their principal crop (paddy) in the neighbouring market or to a dealer in paddy in the village. Price is almost the same. Owing to pressing necessity to pay rent of the landlord or to pay their dues to the mahajans or to meet the other necessities, they cannot hold up their paddy for better price. Marriages are also held when the agriculturists are apparently in better condition after the harvest. All these improvident acts on the part of the raiyats hamper their material and moral advancement. Mass education and missionary work may only gradually solve the problems.

(ii) A central co-operative sale and supply society established at each principal place with branches all over the jurisdiction of the society may easily bring better price for the growers of the produce. Unless and until this is effectively done, no economic advancement of the raiyats is possible. Mahajans and traders are sucking the life-blood of those who are bearing untold sufferings of the seasons for their produce.

(iii) A central co-operative sale and supply society has been registered and shares have been sold but no business has as yet been commenced. I am of opinion that sufficient fund may be forthcoming, if the agriculturists are made to understand the benefits to be conferred upon them by such a society. Much depends upon propaganda work. Keen co-operation between officials and the organisers of such a society is needed for its successful development.

(iv) At present the agricultural products are disposed of at a time when they do not fetch fair return. It is desirable that the agriculturists may be allowed loan at the time of general marketing, so that they may hold up their products for better return.

(v) No such difference is noticed.

(vi-a) Traders have generally monopolised both export and import trade. The consumers and the producers have no share in the business and its profit. Consequently a few traders are getting enormously rich at the expense of the mass. The Sale and Supply Society may undo the evil.

(vi-b) Yes, I agree that growers in India do not get the full value of their produce on account of speculative buying and selling activities of the firms and companies.

I have carefully considered the matter for a long time. I am of opinion that the establishment of Sale and Supply Society and universal mass education may ensure a better return to the growers in India.

(vii) I have reason to believe that lack of banking facilities is due to causes, viz., (1) intelligence, (2) information and (3) personal jealousy.

Question 4. (i) I do not notice any legal impediment in the matter of mortgage of agricultural holdings but the hereditary right of the agriculturists have been greatly encroached upon by the amendment of the Bengal Tenancy Act.

(ii) Pre-emption of the landlord in the matter of the sale of land by the raiyats and statutory realisation of certain percentage of landlord's transfer fees and other incidental fees have greatly reduced the credit of the raiyat for the benefit of the landlord. This matter has been rightly discussed and pointed out by Mr. Nural Haque, a member of the late Council, when the question was on the legislative anvil. After a few decades the ruinous consequences will be felt even by the landlords themselves, when the buying and the selling of the occupancy will continue to the advantage of the landlord.

(iii) Smallness and fragmentation of the agricultural holding due greatly on partition or each successive succession stand greatly in the way of establishment of long-term credit institutions. There is no possibility of amalgamation of their holdings. The legislative interference cannot in my opinion undo the mischief. Corporate and co-operative institutions, industrial development, universal mass education can only solve the difficulties.

(iv) At present there is no land mortgage bank at Feni. Year before the last a land mortgage bank was organised and papers were sent up for registration. But the question of the registration is kept in abeyance in view of the pendency of the decision of the Government as to matters relating to the Government help.

(v) No opinion, as there is no such bank in this area.

(vi) A land mortgage bank should be established on the following lines:—

(a) A graduated half-yearly kist not exceeding fifteen years.

(b) Interest at a rate not exceeding Rs. 9½ per cent. per annum.

(c) Punctual repayment of principal qualifies a rebate of 1½ per cent.

(d) Government should either purchase half the shares of the society or loan out half the working capital at 3 per cent. per annum. This loan from the Government will be graduated one.

(e) Development of a free institution, without any undue interference from officials, should be allowed.

(f) Free annual audit by the Government officials without any realisation of audit fees.

(g) The mortgage bank should be a separate institution. It should not be amalgamated with the existing co-operative societies, for the following reasons among others:—

(1) The mortgage bank will deal with big loans in order to liquidate the debt of a particular person, while a rural society generally deals with small loans.

(2) A rural society is an unlimited liability one, so no individual member will be willing to risk liability of a large nature for the sake of others.

(3) In rural society no loan exceeding Rs. 250 can be allowed without the previous sanction of the Central Bank, so it will be very complicated matters to keep watch over the working of a rural society.

(4) The Central Bank cannot be expected to be constantly watching over the realisation from the particular member of a rural society.

(5) It will be difficult for the Central Bank to realise any loan from a recalcitrant member of a rural society.

(6) The cost of running so many societies, including audit fees, will be much larger than that of one land mortgage bank for one subdivision or for smaller area, so it will be difficult to loan out money at a reduced rate of interest.

(vii) (a) Nil.

(b) Arbitrators appointed by the Registrar under the provision of the Co-operative Societies Act may as well do the function of the foreclosure and sale in the matter of the mortgage bank.

(c) The Co-operative Societies Act may be amended to the effect that on the requisition of a society, the Collector may be authorised to reply to a reference and the present method of service of summons by the arbitrator through the secretary of the society may be adopted with advantage. No appeal should be allowed but a reference may be made to the Registrar by the party affected by the decision.

(viii) The working capital of the proposed land mortgage bank should be derived from the following sources:—

(a) Deposits.

(b) Fund from the central institution either as loan or deposits.

(c) Debenture bonds, if sanctioned.

(d) Shares.

(ix) Instead of debenture bond carrying Government guarantee either for principal or interest the Government should either loan out half the working capital of the society or purchase half of the total registered share capital of the society. In my opinion the Government guarantee in any other way will destroy the individuality of the society.

(x) No extra precaution is necessary. Government, as shareholder or money-lender, is likely to have a keen watch over its working.

(xi) Like other banking institutions the agricultural mortgage bank should raise up capital. Any codified rule is likely to spoil its independence. Each mortgage society is to draw up its own rules consistent with provision of the act and the rules.

The proposed mortgage bank should loan out money at a rate not exceeding 9½ per cent. per annum, and this rate will leave a margin. Each society should be economically administered and the pay of the officers must not be above the general financial capacity of the people. At present in some institutions the pay of the staff is far above the financial capacity of the people for whose benefit societies are started.

(xii) If debenture is to be issued it should be included in the trustee security but I am opposed to debenture for reasons noted before.

(xiii) A land mortgage bank should entirely liquidate the debt of a member provided his landed assets permit it. It should advance money from time to time within his normal credit and no other person or institution should loan out money to such a member without the previous knowledge and the written consent of the mortgage bank. If any such loan is advanced its realisation should be barred under the provision of the Land Mortgage Act or the present Co-operative Societies Act should be amended to cover the matter and for any improvident act or unnecessary expenditure a member should be penalised.

Question 5. (i) During the time I was in charge of the Feni Central Co-operative Bank, Ltd., I made certain enquiries. My impression is that each family is labouring under a debt of about Rs. 250 on the average from generation to generation. There are about 72,000 families in the subdivision and so the total debt comes to about Rs. 1,80,00,000. Each family consists of about 5.5 persons and so on the average per head debt comes to about Rs. 50. This debt they can never repay owing to their insufficient income and improvident acts such as early marriage. The people are increasing every day without any corresponding addition to the national wealth.

(ii) I cannot vouchsafe correctness of my estimate. This is my humble conclusion from what I saw and heard about their debt.

(iii) (a) The amount of debt with land as security comes to about 50 per cent. of the total debt.

(b) The amount of debt other than secured debt on the general security comes to about 50 per cent. of the total outstanding debt.

(iv) The debts are generally incurred for purposes noted in the questions.

(v) The debt is largely due to the mahajans. The Co-operative Societies Act has done only a fragmentation of work. But this movement has done excellent work in the matter of reducing the general rate of interest and put a great check to the rapid increase of the people's debt.

(vi) In my opinion the agricultural indebtedness is annually increasing as agricultural produce is not sufficient to maintain the ever-increasing population and to meet their bare necessities of life and heavy cost of litigation.

(vii) I am not aware whether any loan has ever been granted under the provision of the Land Improvements Loans Act of 1883, and occasionally in the time of acute distress due on failure of crops loan under the Agriculturists' Loans Act is granted.

(viii) If loans under these Acts be granted on the suggestion of the local central bank the provision of these Acts may generally be availed of.

(ix) Kabulies are occasionally found. They do not generally loan out money but they sell their articles at prohibitive price, to be realised at the following year. They generally realise their dues amicably next year and only in a few cases, litigation becomes necessary.

(x) I cannot give any concrete instances but usurious rate of interest still prevails. In some cases principal becomes doubled in less than a year.

(xi) Usurious Loans Act is not properly availed of. As suggested by Sir Daniel Hamilton Government by legislative measures may fix the rate of interest and realisation of any interest exceeding the limit may be made penal.

(xii) No standard rate is generally followed by the court in the matter of secured and unsecured debt in applying the provision of the Usurious Loans Act. But the presiding officer, who is himself interested in money-lending business, leans on the side of mercy for the money-lenders.

(xiii) Of late we hear that the Act is being evaded by taking a bond for a larger amount than is actually advanced by the money-lenders.

(xiv) The sale and supply society may easily have a department for loan of paddy.

(xv) The rate of interest of paddy loan is little higher than the rate of money loan.

(xvi) The general rate of interest charged on paddy loan is about 5 per cent. per month. Monetary calculation is followed even in the matter of calculation of paddy loan. The ordinary procedure is followed. But by verbal agreement generally paddy loan is paid in paddy together with interest charged in paddy.

(xvii) Owing to old debt and debt incurred for maintenance of ever increasing family members and to meet necessary and unnecessary expenses, the landed property is imperceptibly passing to the creditors.

(xviii) This silent process takes away the incentives of the cultivators and farmers to make any improvement and the legal enforcement of premium and other legal fees at the time of sale are contributing to the process of the deterioration of the soil. The middle class tenure-holders are in many cases forced to increase the rent of their raiyats in view of provision of enhancement of their rent up to 80 per cent. of the total rent from the raiyat under section 7 of the Bengal Tenancy Act. This provision of Act is indirectly forcing even the kindest middle class tenure-holders to take to the procedure of enhancement of the rent of their raiyats. This is out of the provision of the question. But many things are contributing to the silent process which retard the fertility of the soil. Both the raiyats and talukdars are afraid of making any improvement as the zamindars generally take recourse to the provision of the sections 6 and 7 of the Bengal Tenancy Act; unless and until the Usurious Loans Act and the Bengal Tenancy Act are thoroughly revised there is no hope for the gradual improvement of the soil.

As the law stands neither the middle class tenure-holders nor the raiyats are expected to make any improvement of the soil, as third party who has hitherto paid nothing for improvement of the soil comes forward to take the lion's share.

Question 6. (i) Some of those industries are in existence in rudimentary form. They require improvement.

(ii) All these and similar industries should be encouraged on co-operative lines. Just like the sister institutions in Denmark where wealth has been equally distributed, extreme riches, poverty and illiteracy are unknown, where every body gets better return for the produce of his labour and where national and individual peace and happiness reign supreme. The district of Gurgaon is being organised co-operatively and industrially. Our best thanks are due to Mr. and Mrs. Bryan. We should follow this example.

(iii) In dull season the cultivators may take to weaving gunny bags and ropes and coir. Jute and cocoanuts are available in this place. Of late gunny bag class has been attached to the Feni Model Weaving School. Rope-making is an easy task. Tanning on co-operative lines may easily be introduced in the locality as cow hides worth several lakhs are annually being exported from the place.

(iv) At present no working capital is necessary. Each farmer may be encouraged to cultivate jute and stock them for dull season.

(v) At present no such suggestion is necessary. Time and necessity will work out the scheme.

Question 6A. (i) No suggestion.

(ii) Small loans from societies affiliated to the Central Bank or from the proposed land mortgage bank may encourage cottage industries.

Question 6B. (i) These people may take loans from the local money-lenders, urban co-operative bank or from the loan office.

(ii) They borrow money to meet their daily necessities including unproductive expenses.

The mahajans charge general rate of interest varying from 75 per cent. per annum to 24 per cent. per annum, occasionally with compound rate of interest. The co-operative bank charges interest at 12½ per cent. per annum, while the rate of interest charged by the loan offices varies from 75 per cent. per annum to 12 per cent. per annum, according to the circumstances, of each individual case. The rate charged for secured and unsecured debt is almost the same.

(iii) Generally the co-operative bank, joint stock bank and money-lenders are advancing money to them. More money should be advanced at the cheapest possible rate to liquidate the debt at a higher rate of interest.

(iv) Indebtedness among some of these people is gradually increasing on account of increase in the number of family members and for the purchase of luxurious things, beyond their means or financial capacity.

Question 7. (i) As far as I know the relation between co-operative bank and Imperial Bank is cordial and in many cases relation between co-operative societies and the joint stock bank is anything but cordial owing to their different objects. The co-operative societies are started for the development of the financial resources of the members while the joint stock banks are started for the benefit of the capitalists only.

(ii) I was connected with the local central bank for about ten years. During this time I did not notice or feel any difficulty or financial stringency.

(iii) No extra capital is required as with the spread of the movement more capital may be raised locally from the deposits.

(iv) There is a keen but silent competition between the co-operative societies and the local joint stock banks as these (joint stock banks) generally offer higher rate of interest for deposits than co-operative bank but in the co-operative bank where accounts are annually audited by officers responsible to the Registrar, the investing public has got much more confidence.

(v) The competition lies specially in the matter of offering higher rate of interest for deposits by joint stock banks.

(vi) Some concessions are in existence and in my opinion fees on money remitted through the post office should be remitted or minimum and maximum rate may be fixed.

Question 7A. (i) A co-operative central bank must not allow loan to any individual members and depositors. Instead of allowing loan to any depositors, he should be given facilities for withdrawal before maturity as is done in the Feni Central Co-operative Bank, Ltd., under certain restriction, vide rule No. 6 noted in page 45 of the Various Schemes of Savings Deposits. A copy of the book annexed herewith for reference (not printed).

(ii) I speak from experience that no enlargement of the scope for the investment of funds of co-operative societies is necessary. Restriction contained in section 32 of the Co-operative Societies Act is salutary. I am emphatically of opinion that without the previous sanction of the Registrar and resolution of the general meeting of the society no fund of the co-operative society should be invested in any society, not registered under the Co-operative Societies Act.

(iii) I am opposed to the interlending of funds between co-operative societies and joint stock banks for reasons noted in my previous answer.

(iv) The central bank may easily remit money from one central bank to another central bank per remittance transfer receipt. The procedure is in my opinion in keeping with the provision of the Co-operative Societies Act.

Question 7B. (i) The usurious rate of interest has greatly been reduced owing to the establishment of the co-operative societies. This has affected the rate of interest both in secured and unsecured debt. This is the manifest advantage of the co-operative movement.

(ii) Co-operative societies are greatly replacing the money-lenders. This is evident from the fact that the rate of interest has been much lowered and the number of suits due on bonds in civil courts has fallen.

(iii) The following factors operate against the rapid spread of co-operative movement in rural areas:—

(a) Education necessary to understand the aims and objects and principles of the movement is wanting.

(b) Mutual misunderstanding, party faction, and personal and occasional communal jealousies stand in the way of the rapid spread of the movement.

(c) Occasionally unnecessary official interference, lack of our sympathy for the people are partially responsible for the slow growth of the movement.

(d) Absence of missionary spirit. Missionary spirit should be the guiding factor of this movement. Only persons inspired by the missionary spirit should be recruited in the departments of co-operation, agriculture and industries to be co-ordinated into one service. In recruiting officers of these departments, rules for recruitment of Christian missionaries should be followed. No body who does not feel for the people and who is not above communal and personal bias and who considers much of himself and looks down upon others should be appointed in the department. No self-respecting man, who is wanting in these qualifications, should seek employment in this department.

(e) Official aid and prestige and our "hambaraism" should not be allowed to play in the administration of the department, so that clash between officials and non-officials may not operate.

(f) Removal of B. C. S. and I. C. S. officers from the department may be detrimental to the best interest of the movement. In my humble opinion services of the officers, who, for considerable number of years, work with the people in the field in the Survey and Settlement Department with conscientiousness may be advantageously and profitably utilized in the department on deputation, as they are very hard working and are expected to be of rural sympathies and fully alive to the needs and difficulties of the cultivators for whom co-operative movement has been inaugurated in the land.

Part III.—Investment Habit and Attraction of Capital.

Question 1. (i) The banking resources in the province are the following:—

(a) Share capital.

(b) Deposits under various heads, including staffs' provident fund.

(c) Other funds created out of profit.

(d) Reserve fund.

(u) No estimate is at present possible

(iii) The following means institutions are in existence in this place for encouraging savings and investment habits:—

(a) Provident deposits, vide pages 9, 10 and 11 of the Book on Principles and Procedures of Various Schemes of Savings Deposits. A copy of the book annexed herewith for ready reference (not printed).

(b) Endowment deposits, vide pages 17, 18, 19, 20 and 21 of the aforesaid book on savings schemes.

(c) Co-operative home savings deposits, vide pages 25, 26, 27 and 28 of the aforesaid book on savings deposits schemes.

The aforesaid savings deposits schemes have been highly spoken of and recommended for adoption in paragraphs 30 and 35 of the annual report of the Department of Co-operation for the year 1923-24 and again in paragraph 113 of the annual report of the said department for the year 1924-25. Excellent mention was made of these savings schemes. The extracts from these paragraphs of the said reports have been reprinted in page 5 of the book on various schemes of savings deposits. A copy of the book is annexed herewith for ready reference (not printed). The Registrar of Co-operative Societies, Bengal, has circularised these schemes in his memorandum No. 8026, dated the 20th December 1926, for adoption in all societies, as recommended by the first divisional co-operative conference held at Feni in June 1926. A copy of the circular is attached in the book submitted herewith. These schemes have attracted widespread attention and enquiries have been received from all parts of India. These schemes are not only being adopted in this province but also in other provinces, some societies are adopting them. The objects and reasons for introduction of these schemes have been clearly set forth in pages 1, 2, 3 and 4 of the aforesaid book on various schemes of savings deposits.

Successful development of schemes of savings deposits in this place has enabled the Feni Central Bank to pay up the entire debt of the Provincial Co-operative Bank, Ltd., in December 1927 and has declared its financial independence. It is expected that no more loan from the

provincial bank will be required. Savings and investment habits have been so much encouraged that the local central bank is now in position to gradually raise its working capital to any extent without any loan from the outside. But much depends upon the working of the bank.

(d) Rules for another scheme of deposit called "Cash savings deposit scheme" have been adopted as noted in pages 37, 38 and 39 of the Book on Savings Deposit Scheme forwarded to your office by the Feni Central Co-operative Bank, Ltd., on the 16th January 1930 in a registered cover. But the scheme has not as yet been introduced in the Feni Central Co-operative Bank, Ltd. It is in the contemplation that after the full development of the other savings schemes, this scheme will be in operation. It is no doubt almost similar with the postal cash certificate but is based on different principles and is likely to be highly attractive wherever it is introduced. I do not know whether other central banks have adopted it as yet.

(iv) The public are given all possible facilities for investment of their savings.

(v) In interior places for encouragement of thrift among the cultivators and persons of limited means, co-operative home saving deposit schemes as noted in pages 25, 26, 27 and 28 of the Book on Various Schemes of Savings Deposits, referred before, have been introduced in the rural co-operative societies. They are encouraged by the offer of a medal.

(vi) The people of India invest their gold and silver on the person of their women in the shape of gold and silver ornaments. I am of opinion that every woman including a girl has got ornament worth about Rs. 25 on the average. So gold and silver worth about five hundred crores of rupees are unproductively invested. If these huge sums be co-operatively employed much of India's suffering due on poverty may be mitigated.

